THE MAGAZINE OF WALL STREET

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MARCH 17, 1934

Conflicting Forces in the Market

Which Will Determine the Trend?

By A. T. MILLER

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Profit and Loss Potentialities in Recent Inventory Changes

By J. C. CLIFFORD

●

Selected Opportunities in Favored Industries

By The Magazine of Wall Street Staff

C. G. Wyckoff
PUBLISHER

VOL. 53 — No. 11

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WITH THE EDITORS

Are Executive Salaries Excessive?

RELEASED by the Federal Trade Commission, the record of the salaries and bonuses paid in recent years to the chief officers of hundreds of corporations has been opened to public inspection in the newspapers. What the other fellow—and particularly the "Big Shot"—makes, is always a matter of avid curiosity in this world of human competition. The salary list of a large section of Big Business is big news and is rightly treated as such by a press which, regardless of varying editorial views, is unanimous in knowing what will interest the public.

We confess that our own interest in the corporate salary record thus far revealed has been considerable, but it no doubt has been exceeded by that of many thousands of stockholders who have learned for the first time the remuneration paid to the hired men who manage their properties. It is regrettable that such information has had to be revealed on the initiative of a Federal agency. When a corporation in this enlightened age lists its securities for public investment and public trading, why should it not in full frankness issue, along with periodic earnings reports and balance sheets, periodic statements of executive salaries and bonuses and, also, periodic statements of the holdings of their own stocks by executives?

Surely, the stockholder is entitled to such information. If executive salaries are fair, revelation of them will involve no embarrassment. As a matter of fact we are inclined to take this whole "embarrassment" aspect of the situation with a grain of salt. Corporate officials are, in theory at least, employed by the stockholders, just as the President of the country is the servant of the public. It has never been suggested that the President is embarrassed by everyone knowing that he receives $75,000 a year, a house, servants and an expense account of $25,000. No, when a corporate official says that he would be "embarrassed" to have his stockholders know what he receives, he probably means "ashamed."

As for periodic statements on the part of an executive showing holdings in his own company, it would seem that if operations in his own stock are based upon inside knowledge of new developments in that company's position, other stockholders are morally entitled to the same information. In the light of publicity no abuse can survive.

As for the present salary and bonus record, generalization is of no value. Each company's practices in this regard has to be considered in the light of its own position. In some instances the remuneration appears to have been excessive. In a few instances, also, the lengthy list of highly paid executives bearing the same family name is suggestive of a nepotism suspiciously in the interest of insiders. Yet who can say, from an outside viewpoint, what any executive is worth? Earnings and dividends, except over a considerable period, cán not be an infallible guide. Management may, and often does, spend years in building up an enterprise before it earns and pays dividends. Again, let us say that a company making packaged foods is earning profits and paying dividends, while a steel company is running at a loss. Is the difference one of capability in management or merely of economic opportunity?

Among industrial companies of large size, salaries and bonuses appear to average larger than in the case of railroads and public utilities. This would seem fitting, for certainly the problems and competitive hazards of industrial companies are greater than those of monopolistic or semi-monopolistic enterprises such as railroads and utilities.

While the Government has let in the light on executive payrolls, it is not going to do anything about them. Why? Because Uncle Sam lives on taxes, and every $100,000 salary yields upward of $30,000 in income taxes. Congress knows where its bread-and-butter comes from and knows that the largest executive salary, spread among thousands of shareholders, would contribute little or nothing in income taxes

In The Next Issue

Outlook for Business Profits

Weighing the various governmental, monetary, labor and industrial factors in the next few months.

By LAURENCE STERN

Outlook for Security Profits

Giving effect to first quarter earnings, Federal regulation, the business trend and the market's technical position.

By A. T. MILLER

The Guaranteed Mortgage Dilemma and What to Do About It

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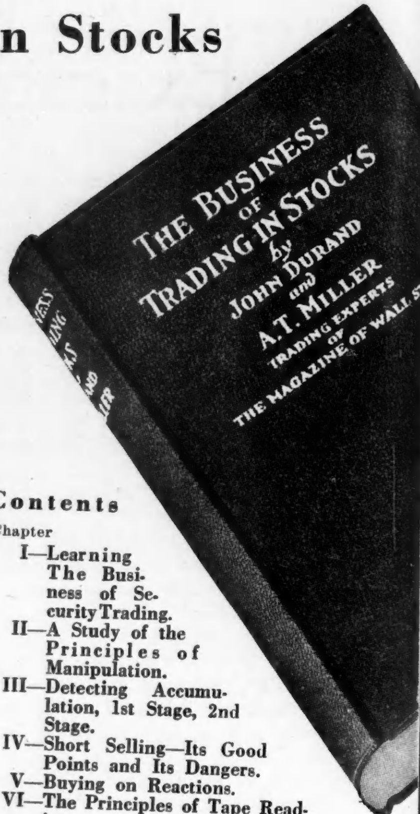

THIS new book gives a clear, authoritative exposition of the fundamental principles essential to successful trading under present-day market conditions.

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Glance over the contents table of this book. Note that it covers the many technical points which you must know—points which open new paths to profits.

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I—Learning The Business of Security Trading.
II—A Study of the Principles of Manipulation.
III—Detecting Accumulation, 1st Stage, 2nd Stage.
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XIII—Important Principles for Successful Trading.
XIV—Appendix—A New Formula for Determining Common Stock Values.

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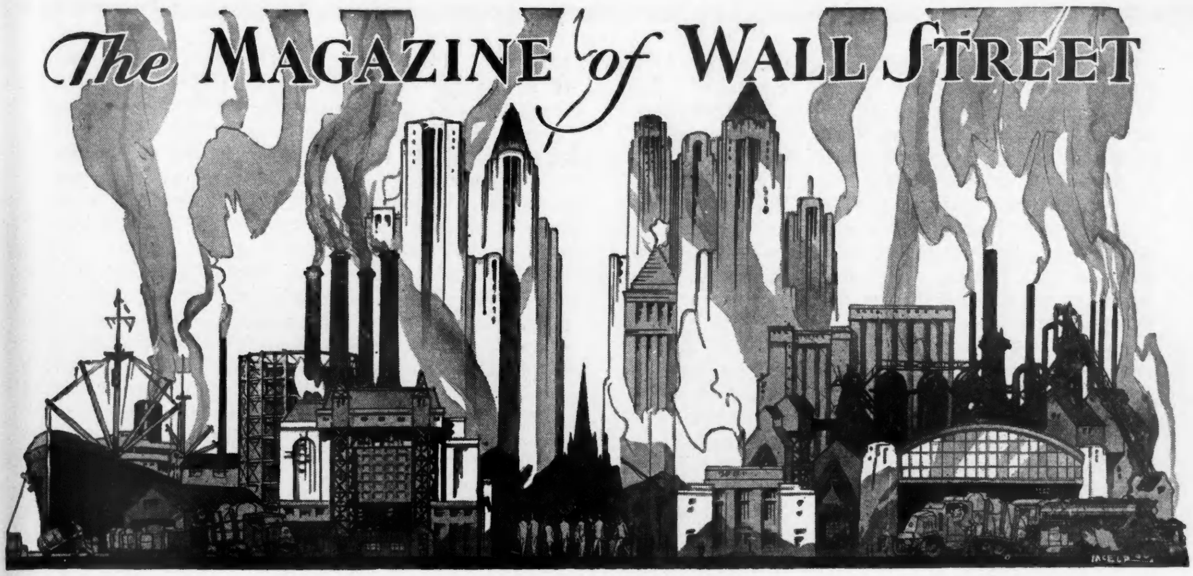


The Trend of Events

—C W A Passes

—New Deal for Air Mail

—A Step Backward

—Enforced Control

—Canadian Recovery

—The Market Prospect

C W A PASSES

TO a man of President Roosevelt's keen feeling for the sufferings of the jobless man it must have been an agonizing decision to abolish C W A and send 400,000 men a week back to the despair of unemployment. And yet it was a necessary decision. The C W A plan was so generous that the country could not have long supported it. To have kept on indefinitely would have been to spread the ruin of unemployment to all. The workless must be supported in one way or another by the working, but obviously the burden on the latter must be made as light as possible. Direct relief is less expensive than relief through artificial employment. But in any event the country must now confront a shrinking of an artificially expanded purchasing power. Against this shrinkage is the expanding employment occasioned by the great but still slowly developing public works enterprise, the seasonal spring absorption of surplus labor, and the undeniable improvement of business in general. There is, too, the possibility that with the monetary situation presently stabilized, although not yet secure, the accumulating pressure of idle credit will break through fears and revitalize the heavy industries.

NEW DEAL FOR AIR MAIL

PRESIDENT ROOSEVELT proposes that the air mail be quickly returned to the hands of private carriers, but under conditions "barring evils of the past." Thus, there is to be a partial reversal of the Administration's impulsive and widely criticized action in arbitrarily cancelling the previous private contracts. That those contracts were collusive and against the public interest has not yet been proved. What is known beyond dispute is that under them, at relatively moderate cost, this country had the finest commercial aviation system in the world. Whether the new set-up will be equally efficient remains to be seen. As a practical matter, one must concede that political "face" must be saved. It was not to be expected that the *status quo ante* would be reinstated, for this would be to admit mistake. The proposed conditions are strict and will involve a thorough reorganization of commercial aviation. Some of the financial damage done to companies which made large invest-

ments and long-term commitments on the basis of Government contracts probably will not be repaired. The future service is to be supervised by the Interstate Commerce Commission. Contracts are to be awarded for three-year periods on competitive bidding. Bidders will be given six months to qualify. Apparently, safeguarding requirements as to the quality of flying equipment and the competence of the successful bidders are to be laid down. No contracts are to be awarded to bidders affiliated with holding companies or having associates which operate competitive routes or which manufacture aviation equipment. No bids can be made by companies whose officers participated in obtaining the former contracts under circumstances "contrary to good faith and public policy." Finally, the carriers will be forbidden to pay "excessive" salaries and bonuses. One may well wonder where competent and experienced new management is to spring from in six months, yet there is no escaping a wholesale new deal in aviation. It is to be hoped that the axe, falling upon executive heads, will not too seriously damage the thousands who in good faith own aviation issues. They have done no wrong and merit consideration from the axe-wielders.

A STEP BACKWARD

WHATEVER they may do in response to the NRA demand for a still shorter working week without reduction in pay envelopes, it is obvious that the delegates to the code convention in Washington were shocked by it. They regard it as precisely the wrong thing to do at this stage of recovery. A year ago the big problem was more one of existence at the lowest possible standard than of business recovery. It was a question of spreading out the national income to prevent dissolution. The job now is not to keep alive but to regain what has been lost, not to endure but to advance. Increased purchasing power comes from increased production, not from less. In one way and another we are taking care of the unemployed. The thing to do now is to swell the earnings of the going businesses and their employes through increased production. After all, four-fifths of the people are at work; the permanent solution of unemployment is to expand their purchasing power—and that can never be done by requiring them to curtail production in the face of general underconsumption. The idle one-fifth will be pulled out of their misery by increasing productivity of the employed. This is the time to make jobs, not to divide them.

ENFORCED CONTROL

FOR some months we have been paying farmers to destroy crops and refrain from planting. In a way we have been subsidizing them to do what the economic situation warned them to do—that is, curtail production. But the subsidy method not having fully succeeded, we are now turning toward punitive measures. If the farmer will not produce little enough in response to premiums, he is going to be fined if he produces too much. That is the essence of the Bankhead cotton bill. Granted that the Government was justified in the first step, it is justified in the last. It is logical but it is a grim reminder of what controlled economy means. Business men under some of the industrial codes have already had an object lesson in controlled economy. More than one plant has been shut down on orders from Washington or—which is the same thing—from the Code Authority. Possibly both farmers and manufacturers will get enough of such regulation in the emergency to make them eschew it in better times. But with a world full of want and poverty it would seem as if there might be a better way out of scarcity for the consumer than to plan destruction of the producer's plenty. And yet the history of agriculture in America warns us that it is in need of control if anything is. If the farms were as little mechanized and powered today as they were before McCormick invented the harvester about 90 millions of our 125,000,000 people, instead of 30 millions, would have to be on the farms if they and the other 35 million were to be fed and clothed.

RECOVERY IN CANADA

CANADA seems to have made fully as much advance towards business recovery since last March as the United States has—and more steadily. The fact that there has been less governmental economic planning and coddling in the Dominion than here raises the question of whether we would not have made considerable progress if we had not tried so hard collectively to attain it. There is something to be said on both sides of the question. It must be remembered that Canada is profoundly affected, morally, if not directly, by the economic situation in the United States. It is probably fair to say that part of Canada's recovery is due to what has happened here. Also, increased costs and limitation of production in the United States, due to the codes (one of our artificial measures to improve business) have diverted some export business from the United States to Canada. Part of the Canadian improvement is doubtless due to governmental policy regarding foreign trade, notably in the effects of Empire tariff preferences and quotas. The situation here a year ago was more desperate than in Canada. Canada had no problem of banking collapse. But the rapidity of our recovery after the bank holiday of last March suggests that natural recuperative forces were ready to go to work. Actually, by July—before AAA, NRA, PWA and CWA had swung into effective action—great progress was made. It is an open question whether the retardatory effects of some of the recovery measures were not equal to the accelerative effects of others.

THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 540. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, March 12, 1934.

As I See It — By Charles Benedict

The Age of Unreason

IT would seem that instead of logically working out political and economic salvation we are following the will-of-the-wisp of fashion. Europe sets the style in governmental made-to-order garb with Communism and Fascism,—and the model reaches America. And, because it is new and interesting the machinery is busily set to work to turn out a ready-made article adapted to American requirements, in accordance with the views of a minority of radically-minded individuals.

If we are not careful, in the confusion of adjusting ourselves to emergency recovery measures, we will find ourselves cloaked in one or the other of the European types of government. This, although the two outstanding models in vogue in Europe are not suited to Americans.

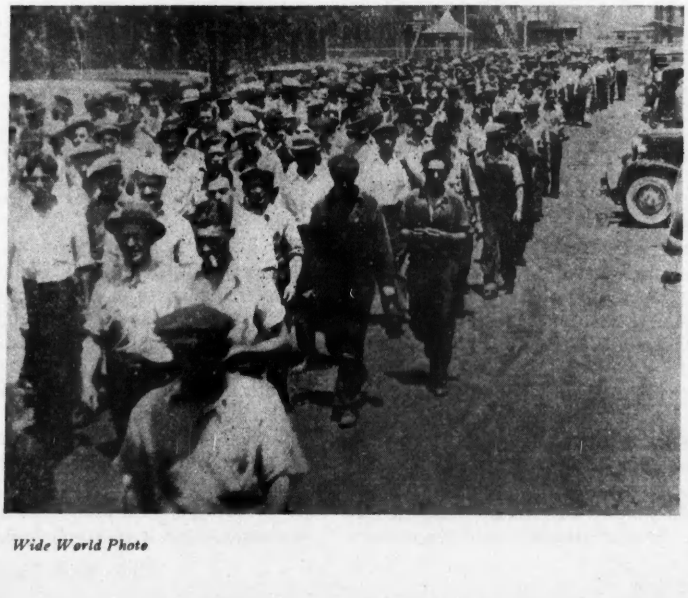
There is no occasion for Communism in this country. It arose in Russia as a result of the abuses of a bureaucracy under an autocratic regime where the status of the people as a whole was but a little above serfdom. It was put over by a minority group of political agitators because an almost illiterate people imagined that the over-throw would result in a Utopia. Today, after about eighteen years of intolerable suffering and hardship, these people are still working their way painfully upward to a standard of living which is well within the means of the lowliest inhabitant in the United States.

Fascism in Europe is the outgrowth of an attempt of the middle classes to prevent the suffering and tragedy of Communism. It took root in Italy because that country was backward industrially and economically,—and was ready for a fresh start after the war. Its state of industrial development at the time Mussolini seized control compared with that of the United States in the early '70s. And, Fascism, as it has been practiced in Italy, gave the worker his just share in industry as it was developing. It enabled Italy to skip over the stages which labor had to go through in this country during these early years of "rugged individualism" while the United States was developing the industrial mass machine for the world. And yet the standard of living for the masses in Italy today compares only with the standard of living of a hundred years ago in this country!

The Hitler variety of Fascism has more recently swept Germany because of the national despair which engulfed the nation following the treaty of Versailles. Cut off from their colonies; isolated by trade embargoes and treaties from the rest of the world, low in government funds, racked by inflation and ill adapted by temperament and experience to deal with the problems of a republican form of government,—the swing to the dictatorship of Fascism was natural as a gesture of desperation. So also in Austria—a country stripped of its greatness, reduced physically to economic impotence, facing starvation, turns to Fascism as a possible means of escape from its difficulties. In both countries the Government's dominance in social, commercial and industrial life should prove acceptable to a people long accustomed to the rule of an autocratic emperor.

In the United States we have neither sunk to the economically bankrupt level of these nations nor could we reconcile ourselves to the imperious rule which Fascism imposes.

Of course, these things are not mentioned by the radical agitators and professional labor "organizers" in their broadsides against big business. Yet no man can gainsay the truth: that the standard of living reached by labor in this country up to the time of the depression was comparable to that of the upper classes in many continental countries. Indeed, under our so-called capitalism we have developed a system which is superior from the standpoint of the individual worker to that of any nation on earth. Rid our capitalistic system of the abuses, which admittedly have sprung up, but which would similarly develop in any system we tried, and it can again be made a source of benefit to the whole country.



Wide World Photo

The plain truth is that labor has reached what it has long sought—the surety of decent, even luxurious existence. It has a fair wage, a shorter day, a voice in its own government and regulation, the opportunity to share in the enterprise which offers employment. If it seeks more—it is over-reaching and placing in jeopardy all that has been gained. Labor is today in the position where it is likely to be victimized by its professional leaders,

(*Please turn to page* 583)

Conflicting Forces in the Market

Which Will Determine the Trend?

By A. T. MILLER

Recommended Stocks

Allied Chemical	**Gulf Oil**
American Rolling Mill	**Industrial Rayon**
Atchison	**Liggett & Myers "B"**
Bohn Aluminum	**Mathieson Alkali**
Chesapeake & Ohio	**Pennsylvania Railroad**
Corn Products	**Sterling Products**
General Motors	**United Gas Improvement**

THE performance of the stock market over the past fortnight can only have been decidedly disappointing to those who expected dynamic advance at this hopeful season; and as this article is written there is no convincing indication that reaction has been ended or that an adequate base has been established on which to build a new and significant phase of advance.

From the best levels of early February, industrial shares, on the average, have declined 8 per cent; railroad stocks 9 per cent; and utilities 16 per cent. Industrial and public utility stocks have cancelled most of the gain scored on the sizeable rally which was touched off by the formality of dollar re-valuation in January and at present are back virtually where they were two months ago. Railroad stocks have cancelled approximately half of their January-February advance and, relative to their position at the start of the year, make a somewhat more impressive showing than the other major groups.

The most recent reactionary movement followed a period of uncertainty during which trading activity dwindled to a daily rate substantially under 1,000,000 shares. Thus far intermittent selling spells are marked by sharply increased volume, while technical rallies are feeble and listless. For what it may be worth, the technical indications thus suggested are subject to the traditional unfavorable speculative interpretation. Yet the maximum trading activity of the past fortnight has remained too light, relative to normal market volume, for the resulting price movement to be regarded as of more than transient speculative significance. At the first bit of Washington news subject to favorable interpretation, recent sellers no doubt would turn bullish as quickly as they have so recently turned bearish.

Discriminating Accumulation

As regards the spring outlook for the market, it would appear logical policy to regard reaction as affording a favorable opportunity for discriminating accumulation. In many issues the January-February rally discounted first quarter prospects quite liberally. As pointed out previously in these articles, emphasizing a cautious attitude, it was not to be expected that a spring advance could begin in January and run through the first quarter without interruption. The speculative correction that has occurred, however, puts the market in a sounder position and justifies more, rather than less, confidence that the spring season, bulwarked as it is by expanding business activity, will be accompanied by an extension of the major recovery in security prices.

In our preceding issue we ventured the opinion that nearby reaction probably would not exceed 10 per cent and that it should be availed of for scale-down purchase of stocks previously recommended. We see no reason to alter this policy, but neither do we see reason to bid hastily for most stocks in periods of technical rally. There is at least a reasonable chance that some further irregularity will prevail and that sound stocks purchased at prices which, in many individual instances, are already 10 to 20 per cent under the year's highs will yield satisfactory profits in coming months.

Investment Policy Unaltered

Such short-term considerations, of course, are quite apart from the matter of investment policy. The major factors bearing upon the longer outlook are unchanged. As far ahead as can be seen, the business setting is favorable. Should it become unfavorable during the second half of this year, with Congressional elections approaching, agitation for additional inflationary measures and additional direct governmental stimulation of business will assuredly spring up again. To the rank and file of informed investors, cash will necessarily seem less desirable than sound equities as long as a logical possibility of further monetary tinkering presents itself. That many regard this possibility as by no means out of the question appears to be indicated by the recent persistent firmness in stocks of gold-mining companies.

It takes genuine liquidation, and not speculative selling, to bring about a protracted decline in security values. In

the present setting there is scant reason to anticipate such liquidation. Accordingly, retention of sound equities, regardless of intermediate fluctuations, remains—as it has been for the last year—the only prudent investment policy.

So far as the immediate outlook is concerned, the market is beset by conflicting forces. On the one hand is the favorable force of expanding business activity, usually the determinant of the basic trend of stock prices. On the other hand, uncertainties as to the significance of the Federal control measures yet to be formally applied to speculation have not been entirely resolved and new uncertainties have been injected into the picture by the Administration's demand that industry make further adjustments to the N R A codes by a 10 per cent reduction in working hours and a 10 per cent increase in hourly wages. Encouraged by what appears to be open support from the Administration, organized labor is becoming increasingly aggressive in its demands for union recognition in previously open-shop industries, for shortened hours and for increased wages.

Industry's Problems

Strikes already effective and others threatened, especially in the automobile industry, present a serious problem. While such labor troubles are a normal accompaniment of economic revival, they can not in the present situation be lightly dismissed. The moral support of the Administration clearly is behind the drive of organized labor. No one can predict with confidence how far that drive will go, to what extent it will increase the labor costs of industry and to what extent such increased costs will cut into business profits and dividends.

The Administration asserts that it desires business to earn reasonable profits, but it clearly holds profits of secondary importance. The most important thing, it holds, is for industry to re-employ wage workers to the fullest possible extent, deferring expectation of normal profits until the purchasing power created by enlarged payrolls provides, in turn, a profitable volume of business activity.

The problem involved for industry is a knotty one, for many and complicated are the aspects of "purchasing power." Who can say with certainty whether the wage level determines business activity or whether business activity determines the wage level? The aggregate of business financial reserves is not large enough to absorb increased costs for any length of time, even if all dividends were dispensed with. Rising costs can only mean rising prices — and prices already have risen substantially more than has consumer purchasing power. A further forced rise may benefit the wage-earning class, but if such benefit is at the expense of the "white collar" consumer class and the stock-owning class the net result on business activity may prove unfavorable, rather than favorable.

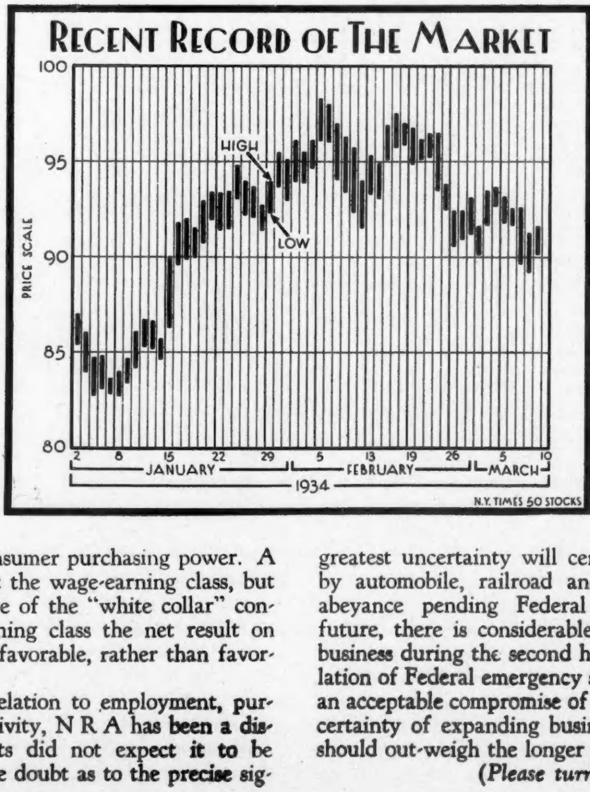
As a recovery measure in relation to employment, purchasing power and business activity, N R A has been a disappointment. Most economists did not expect it to be otherwise. While there may be doubt as to the precise significance of the sequence, the major business revival during the first half of last year occurred before N R A was imposed. Industry's adjustment to it unquestionably contributed to business recession during the second half of the year. With that adjustment partially completed, business, aided by the Government's emergency spending, started up anew late in the year, with prospects bright for the first half, at least, of 1934. Now a further phase of N R A adjustment confronts it.

On the favorable side, it can be said that the task certainly is not as difficult as was the initial adjustment to N R A last year. Moreover, there is no intention at Washington to apply an arbitrary wage and hour rule to all industry. Industries and individual companies which can not meet the new wage and hour requirements without serious trouble will unquestionably obtain exemption. In short, there is considerable basis for anticipating that the stock market in coming weeks will modify its initial disappointment in the Administration's new N R A campaign.

There is reason also to believe that recent fears originating out of proposed drastic Federal regulation of security exchanges are waning. As the Congressional hearings have proceeded, revealing the weaknesses of the Fletcher-Rayburn bill, there has come an increasing expectation that it would be substantially modified. Such expectation, as this is written, has been confirmed by Senator Robinson, Democratic leader, and by Senator Fletcher, chairman of the Senate Banking and Currency Committee. While President Roosevelt has made no statement, he is reported to favor early adoption of a stock exchange regulation bill in "simplified" form. The originally proposed margin requirements will be liberalized. This and other changes will remove many of the most objectionable features of the bill as originally drawn.

Apparently, testimony of unimpeachable witnesses that the bill would have widely deflationary results has been taken to heart. While the Administration and Congress wish to prevent speculative excesses, they nevertheless ardently desire a further rise in prices, including security prices. In this connection, it now appears probable that the date of application of Federal market control, now scheduled for October 1, will be substantially extended.

In short, there appears to be a reasonable chance that the market in coming weeks will have a respite from disturbing Washington news. If so, its opportunity to respond to favorable business developments will be substantially enhanced. For the immediate future it seems probable that the greatest uncertainty will center in strikes, now threatened by automobile, railroad and other workers, but held in abeyance pending Federal mediation. For the longer future, there is considerable doubt regarding the trend of business during the second half of this year after the stimulation of Federal emergency spending passes its peak. Given an acceptable compromise of immediate labor difficulties, the certainty of expanding business over the next few months should out-weigh the longer doubts in speculative influence.



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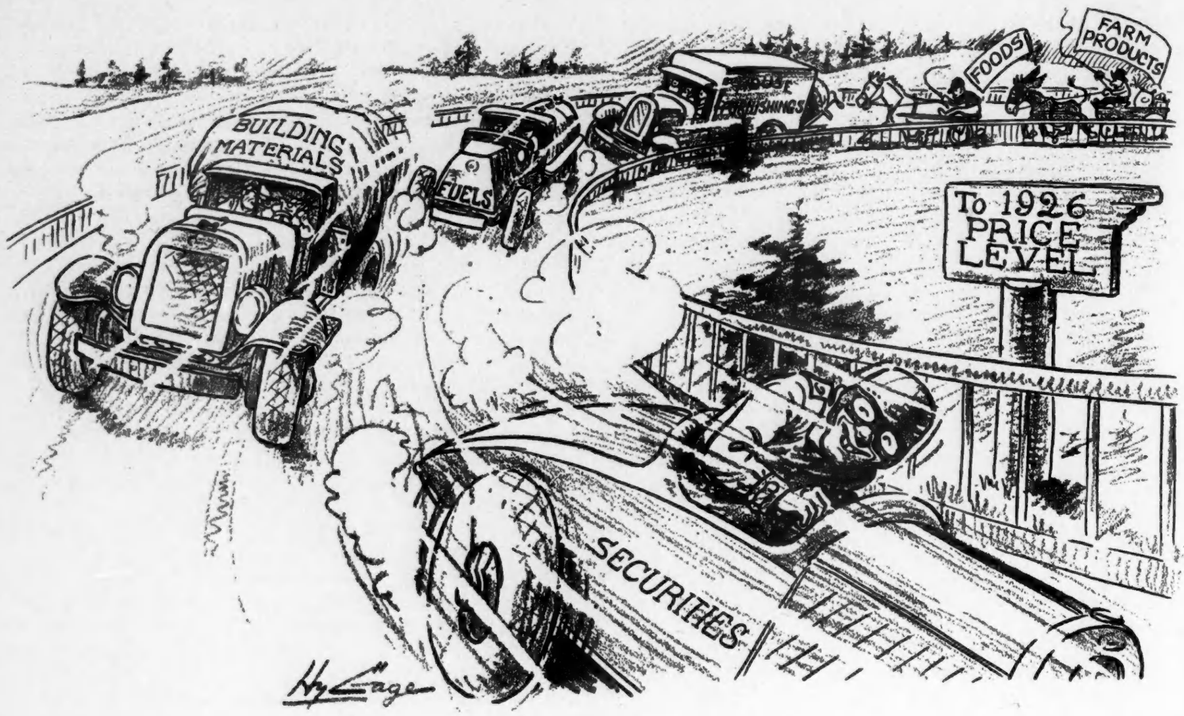


Will Rising Prices Speed or Retard Recovery?

Inequalities Bring Competitive and Sales Problems as Government Theory Encounters Business Actualities

By Laurence Stern

COMMODITY prices must rise.

This is the major plank in the Roosevelt platform of planned economic recovery. Presumably, the official objective is, approximately, the level of 1926. On the price level then prevailing we were prosperous. When that price structure broke down depression swept over us. Obviously, then, we can recapture prosperity—so it is reasoned—by restoring prices to their rightful level.

Twenty-Four Per Cent

According to the index of 784 items compiled weekly by the Bureau of Labor Statistics, wholesale prices to date have advanced by nearly 24 per cent from the depression low of March 4, 1933. The greater part of this gain was recorded last year in one spasmodic and distorting leap between March and July. During the past two months a clearly defined upward trend has been resumed. This new phase of advance is of gradual and orderly character.

From the present position a further advance of 35 per cent will be required to restore the 1926 level. On the other hand, should we be satisfied with the average level of 1927-1928-1929—which was lower than that of 1926—an additional advance of 28 per cent will suffice.

Put in another way, this index which the New Deal watches so eagerly has now advanced by approximately 14 points. A further advance of 26 points would produce the 1926 level. An advance of another 21 points would produce the 1927-1928-1929 level. During the past eight weeks the net advance has been 3.3 points. Thus, if the present rate of advance continues, just a year from now will find us at the 1929 level and one year and three months will put prices back to 1926.

It is, therefore, not beyond the realm of possibility that by the middle of next year we shall have had a conclusive, practical test of the validity of the present widespread

assumption that recovery of the general price level of the post-war years is prerequisite to economic prosperity and to the solvency of the existing debt structure.

Will It Work?

The term "assumption" is used advisedly. Who can predict with assurance that the results of a successful price-lifting program will be the results so keenly desired—namely, the restoration of normal industry, trade, employment, national income? To pin all hope on the mere matter of returning to a specified price level of the past is to over-simplify an extremely complex problem in economic relationships.

The undeniable fact is that a sound and enduring prosperity depends upon the active exchange of goods and services for goods and services. And such exchange, in turn, depends upon relatively stable and satisfactorily balanced relationships of the majority of goods and services to each other. This is so, regardless of the general price level prevailing at any time.

Here we have the real problem. It is far easier to raise the *average* of hundreds of commodities—by means of monetary manipulation and otherwise—to a level which prevailed eight years ago than to restore the economic relationship then existing. There is nothing of permanence in economic relationships. To say that the reciprocal values of goods and services to each other ever change is merely to remind ourselves that we live under a basic economic law of supply and demand beyond the power of any government to repeal. In normal times this change in exchange values, reflecting inexorable variations in supply, in human demand or in both, is slow and gradual. In depression it has been greatly exaggerated. In the present "managed" recovery some distortions are being corrected, but others unquestionably are being created.

In no event can the economic yesterday be brought back and relived. Whatever the price level, the economic relationships of 1935 will not be those of 1926. We are moving month by month to new relationships, and it is only upon the balance of these new relationships that a normal exchange of goods and services, between ourselves or between us and the world, can be founded.

Insofar as present economic difficulties are aggravated by a drastically lowered general price level, the prime obstacle to business is not inherent in the *average* level itself, but in the disparities within the price structure, for these reflect the violent distortions of exchange relationships during the relatively brief span of the last four or five years. Obviously, we shall either have to correct the most glaring disparities or become resigned to adjusting ourselves to them over a long period of time. It is the former course that the Administration has embarked upon.

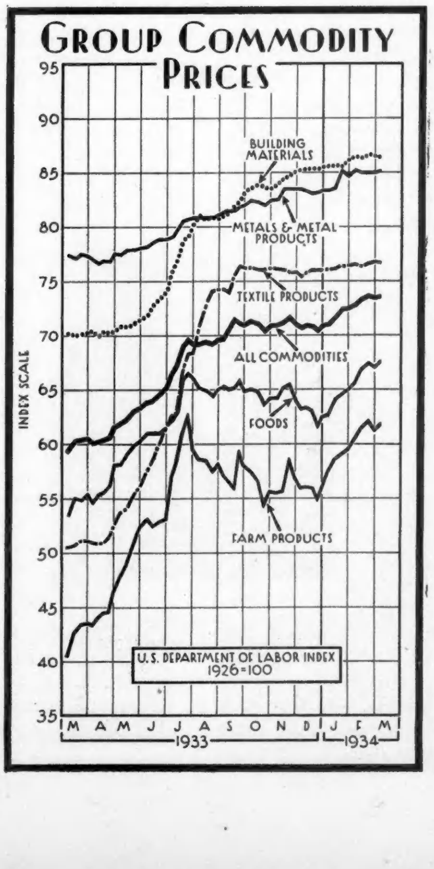
Especial attention is centered upon raising the prices of agricultural products. In terms of exchange values, no other group has been so hard hit. Farm products sank early in 1933 to 40 per cent of the 1926 level, while the indexes of all commodities fell only to approximately 60 per cent of the 1926 level. In relation to several other groups, the disparity was still greater; for leather held, at its lowest price, at nearly 68 per cent of the 1926 level, fuels at 64 per cent, metals and metal products at 77 per cent, building materials at 70 per cent, chemicals and drugs at 71 per cent and household furnishings at nearly 73 per cent.

This is to say that farm purchasing power was squeezed almost to the vanishing point. The percentage recovery in farm prices during the last year has been greater than in any other group, but it nevertheless leaves such prices further below normal than any other group. Moreover, all of the gain had been scored by last July and since then farm purchasing power has declined. The farm price index was 62.7 last July and for the latest week is 62.1. Meanwhile, leather has advanced from 87.8 to 90.4, textiles from 68.3 to 76.6, metal products from 80.7 to 85, building materials from 79.1 to 86.7, drugs from 74.3 to 75.4 and house furnishings from 74.3 to 81.9.

Natural or Artificial Rebound?

On the evidence to date, it seems probable that a natural rebound from an acutely depressed level, plus governmental loans and grants for crop reduction, played a larger part in raising farm prices than did dollar devaluation. Putting aside for the moment consideration of the longer implications of monetary depreciation in relation to all prices, it is worth while to consider some of the broader economic factors affecting American agriculture and their effects upon general business.

Secretary of Agriculture Wallace has admirably pointed out the essential difficulty. To meet the vastly increased, but temporary, export demand created by the World War we added 40,000,000 acres of good land to our agricultural production. The foreign acres thus temporarily displaced have come back into production. Our export demand has largely vanished and we are confronted with huge surpluses both actual and potential. To be sure, something of the same distortion occurred in industrial production and capacity, notably in the steel industry. But it is easier to control the price of steel, for example, than to control farm prices. The price history of the depression proves this beyond doubt. That prices for many industrial products were artificially held, while others dropped severely, only magnified the distortion of previous exchange relationships.



It seems obvious that, regardless of currency depreciation, farm prices can only be restored to a semblance of normal by drastic and permanent curtailment of production. The present factor of supply in relation to inadequate demand presents no easy problem for Washington's planners.

As to the broad significance of the farmer's position in our economic structure, it is pertinent to observe that this is usually exag-

gerated. Obviously, it is important that farm purchasing power be restored to normal, but the logical question arises whether such restoration of itself will bring back general prosperity. By some in the Administration it is contended that farm and factory production must be in balance. Let us see.

Years ago agriculture was the backbone of our economic structure, but the growth of our industrialization and of the economic services that go with industrialization has tended to outrun the growth of agriculture. Farm income in 1914 was about 14 per cent of the national income, according to figures compiled by the National Bureau of Economic Research, and was only 10 per cent of the national income in 1928. Gross farm income in 1914 was about $7,000,000,000, according to the Bureau of the Census, and for the years 1925-1929 it averaged less than $12,000,000,000. The national income in 1914 was approximately $35,600,000,000 and for the years 1925-1929 averaged approximately $85,000,000,000. Farm income last year was approximately $6,200,000,000 and the national income was probably around $45,000,000,000.

While farm income advanced from $7,028,000,000 in 1914 to $11,968,000,000 in 1925, the annual value of factory products during the same time advanced from $24,000,000,000 to $62,713,000,000. The pace of our industrialization is strikingly shown by the following record: Value of factory products in 1849, $1,000,000,000; 1889, $9,000,000,000; 1899, $13,000,000,000; 1909, $20,000,000,000; 1914, $24,000,000,000; 1919, $62,000,000,000; 1925, $62,713,000,000; 1929, $70,434,000,000.

If we estimate normal farm income at $12,000,000,000, or double the present level, and normal factory output at $50,000,000,000, it would appear apparent that much more than higher prices for farm products will be necessary to restore American prosperity.

Managed Recovery

The significance of the present price trend in relation to industry and business, to the volume of activity and the profits derived therefrom, presents complexities and variations which defy generalization. One thing, however, stands out. As compared with the recovery cycles following all past periods of depression, the present recovery movement is marked by certain artificialities, the inevitable result of a transition from almost complete reliance upon the automatic functioning of the capitalistic system to a managed recovery. After past depressions the normal sequence of revival was (1) a decline in interest rates; (2) advance in high grade bonds; (3) advance in the stock market; (4) increasing business activity; (5) a gain in factory employment; (6) a moderate and gradual advance in wholesale prices; (7) an advance in factory payrolls; (8) a gradual rise in the cost of living.

For the purposes of this article, it is pertinent to observe that whereas in past recoveries, commodity prices and wages lagged behind business revival, usually by a period of many months, they have been well to the fore in the present movement. The fast rise in prices can be attributed to the natural rebound from depressed levels, to speculative forward buying induced by last year's threat of inflation and, later, to dollar depreciation. The emphasis on higher payrolls, without awaiting justifying profits, was the work of N R A. There can be little doubt that over-rapid price advance and industry's necessity to adjust itself to the codes caused the marked business set-back experienced during the second half of last year.

Nor can there be much doubt that further price advance, whether it result from the cumulative effect of dollar devaluation or from the additional costs of shortened working hours and raised payrolls, will present some major problems to business as a whole and, particularly, to individual industries. The more gradual the advance, the less serious those problems will be. Also, the difficulty of absorbing increased costs will vary in close ratio with the available volume of business.

Between July and December, 1933, industrial production declined 30 per cent, according to the National Industrial Conference Board, while prices of finished manufactures advanced 3.6 per cent; labor cost per man-hour advanced 27.7 per cent; labor cost per unit of product advanced 54.3 per cent; and labor cost in relation to manufacturers' gross income advanced 48.8 per cent. This record plainly indicates that present cost factors make for rising prices and that normal business profits in most lines must await substantially enlarged volume.

Competition of Materials

The price and code situation developed and developing involves shifts in the competitive positions of industries relative to other industries and endless variations in the competitive positions of individual enterprises. Lumber, for example, fell to a disastrous depression price while brick and cement held at levels needing only volume to be profitable. Now lumber has advanced by a far greater percentage than the other materials, even though it has only approximated the cost of production, while the other building materials are definitely in the black at current levels. Yet lumber competes with brick and cement and its competitive position is weakened by higher prices.

Bituminous coal has recovered to 90 per cent of the 1926 price, yet the industry as a whole will not be prosperous at this level and any higher level would merely intensify the increasing competitive inroads made by natural gas.

Iron and steel are at 83 per cent of the 1926 price level. In the absence of much larger volume, the industry continues to run at a loss. Lacking adequate volume demand, it is hard-pressed to absorb its increased N R A payrolls. Yet its effort to raise prices to a level off-setting presently enlarged costs has been vigorously resisted by the automobile industry, a leading customer. Despite the codes, which also have raised automobile costs and prices, the large motor makers demand discounts on volume steel orders. General Motors has threatened to go in the steel making business. The Ford Motor Co. is spending $10,000,000 to expand its steel making capacity, whereas formerly it was more economical to buy needed steel than to make it.

Merchandising, like industry, provides a substantially greater proportion of the national income than does agriculture. Its position has been improved by rising prices to the extent that they both relieve it of inventory losses and tend to expand profit margins. The gain for some concerns, notably those dealing exclusively in clothing, has been more than sufficient to absorb higher costs imposed by N R A. On the other hand, for the merchandising field as a whole the dollar gain in sales volume only represents the forced mark-up in the price of goods and present retail income is not adequate to offset

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Happening in Washington

By E. K. T.

THE WHITE HOUSE will lean more and more toward recovery and less and less toward social reconstruction from now on—at least until the country is definitely out of the woods. After all, reform is of little value if there is nothing left to reform. You have to build the patient up for a major operation if you want him to live. Don't worry much about the President's appeal to the Code Convention to cut hours still more without cutting payrolls totals.

So many exceptions will be granted that the rule will become the exception.

THE PRESIDENT demands a Stock Exchange Act at this session of Congress but this does not imply that he insists on the bill as it is. I suspect he feels that the logic of the pressure of public opinion, after so many months of sensational revelations, requires some decisive action. What he wants is moderate regulation, a gradually rising market and a minimum of speculation. This does not mean the bill as written by Messrs. Rayburn and Fletcher, or rather as it was written for them by some of the reformers in the Government. Nor does it mean that he will be satisfied with a toothless document.

The President is a country gentleman who has acquired the instinctive emnity of the dirt farmer to the "money changers" who, as the toil-bent plowman sees them, acquire easy wealth although "they toil not, neither do they spin."

AIR MAIL contract revival is regarded as a retreat of the Administration from the most distinctly unpopular act of its first year. Postmaster General Farley has plainly lost prestige in the whole affair.

CONGRESS is getting more independent of White House. Thinks Recovery well launched—emergency over—and aspires to use its own judgment on reform measures. This is not so hot as one might think. Congress is in some respects more radical than the President and certainly less orthodox than he on monetary and financial measures—which is saying a lot. President is in more of a compromise mood than in more critical times. Prospect is that economy program will be dented some, but President will veto any fiat money bill. Any fiating there may be will be done by F. D. R. himself—and that includes silver. That's the President's next "shot" for business pickup.

His theory is that something must be done for sentimental effect every little while—until the patient is over sinking spells.

BUSINESS. Recovery trend is regarded by the Government as an accomplished fact, but it is disturbed over failure of durable goods industries to show a rally. Hopes, however, that the boomlet in service and consumers' industries will finally percolate into them.

STRIKES and threatened strikes give concern here in some quarters and satisfaction in others. Social reconstructionists are boring from within all over the place, want strikes and more strikes as accelerators of "planned economy." Code authorities are alarmed because they see government getting behind the arrogance of labor, and apprehend a disappearance or nonappearance of profits. N R A seems always to be on the side of the "down trodden" striker, even when he's back to 1928 pay.

Most popular suggestion made in the code meetings was; "You've primed the business engine; now don't flood the carburetor."

TARIFF regulation proposals are receiving more public support than I expected. A year ago this country was ready for a good dose of international hermitism. Farm problem has reminded country of its international dependence and given it a hope that the way back to prosperity includes a measure of encouraged imports.

FARMERS are not objecting to A.A.A. regimentation as much as you might think. All of them who were in successful co-operatives had been voluntarily regimented already. What could be more of a regimentation than the California Citrus Growers Union? Individual member gives up his independence in return for security.

ALLIED DEBTS will be the next to experience a change of public opinion. I have always thought they were doomed to virtual disappearance. We may wind up by taking some silver for them—but just what good the silver would do us is known by nobody.

For that matter, nobody knows what good that 300 million dollars of gold from France and other points east has done us.

GOLD DOLLAR will not be further arbitrarily devaluated—present gold valuation of 59.06 will stand until international agreement on stabilization and revaluation is reached. It is expected that France will be assisted to stay on gold standard, so that it may revalue the franc—now over-valued—without the shock of going off gold. Dollar will be revalued at a gold content nearer 70 than 60. This will be a compromise with England, which will not return to gold with dollar greatly undervalued.

International stabilization is now under way but revaluation will not come until it is certain that business is expanding and prices rising normally.

Silver As You Want It

A Glance at All Aspects of Doing Something for Silver

By JOHN C. CRESSWILL

THREE sets of hopes rest on silver.

The silver mining men want to sell more silver at better prices.

The inflationists want more silver money because they want more money in circulation, and, therefore, higher prices.

Some traders want more silver money, and silver worth more money, because they think that silver is the way to more trade with the Far East.

There are a few long-distance economists who would like to see silver have a place as a metallic reserve in the central banks of the world. Long-distance, because if there is anything the world doesn't need right now it is more metallic reserves. Sometime in the next ten years, or later perhaps, yes. And there are some thinkers who really believe that the world, utterly aside from inflation, does really need a larger quantity of hard money.

Among Leading Producers and Smelters of Silver

	1933 Production	1933 Earnings Per Share
Anaconda Copper	2,027,675★	N.F.
American Metal	44,311,225	d0.25
American Smelting	48,380,220(a)	0.77
Cerro de Pasco	4,900,000★	N.F.
Consolidated Mining & Smelting	5,551,349	N.F.
Howe Sound	1,173,765(b)	1.75
Park Utah	N.F.	d0.04
Silver King Coalition	1,715,251	0.36
Tintic Standard	1,843,612★	N.F.
U. S. Smelting, Ref. & Min	21,470,000 (est)	6.53 (est.)

★ 1932 Production. N. F. Not Available. (a) Exclusive of 34,240,217 ozs. of foreign refined silver retreated. (b) Sales. (d) Deficit.

The silver protagonists are feeling pretty cocky all over the world. They dream of a nearby day when the world will go bimetallic and standard hard money will be twice as much as now. Senator Pittman's silver resolution was the only tangible thing extracted from the imponderableness of the London Economic Conference—and the interested nations are ratifying it with the unanimity of a row of dominoes toppling in sequence. Latest of ratifiers are Canada and China.

Why China Indorsed Pittman

This China ratification is something to ponder on, and a good springboard from which to leap into another discussion of the interminable silver question.

The very day that the Chinese Government ratified the agreement to hold Government silver off the market for four years and thereby contributed to the world move toward lifting silver prices, Chinese bankers were informally asking President Roosevelt to lay off his silver boosting efforts. This is really something to think about—not only the conflicts of action but particularly the fact that the spokesmen of the business interests of half of those billion people who are supposed to be able to do business grandly only in silver money, well-priced, ask that silver be left down in price so that billion people can go up in prosperity.

That is the precise opposite of what we had always understood. The silver advocates have pretty well convinced the world that whatever else might happen from the resuscitation of silver or its restoration to the standard money privilege it would be a blessing to the Chinese and Indians and other peoples who like silver for money and for hoarding. Rehabilitated silver, it has been maintained, meant rehabilitated trade in all the eastern silver world. With a thousand million people eagerly spending their 7,000,000,000 ounces of hoarded silver, a tidal wave of prosperity was envisaged as flowing out of the East and refreshing the West by its purchases from such countries as ours.

And now come the Chinese financiers and say they want none of this silver vision, because there is nothing real in it! And yet the Chinese Government—ratifying the Pittman plan—takes steps to jack up the value of silver! We business men say they want cheap silver because they want plenty of cheap money. The Government—what does it say? That it wants silver marked up so that it can mark down its foreign debts. Double the world price of silver and the debt-reducing power of China's revenues will be doubled. The merchant and the Government use the same logic—but its application is different.

Cheap Silver vs. High Protection

Why do the merchants want cheap silver? For precisely the reason that we wanted cheap dollars. To help exports and check imports. The more silver one can buy with a foreign currency, the more Chinese goods he can purchase. The less gold that can be bought with a given amount of silver, the less the Chinese can afford to import foreign goods. It comes then to this: That our silver advocates wish to rehabilitate silver in order to make the Orientals prosperous and able to buy more of our goods; whereas the Orientals themselves wish to keep silver in the poor relation class in order to gain, or retain prosperity. Actually, there has been a building and industrial boom in China ever since silver dropped into the cellar.

Nevertheless, there are men of authority, like Sir Henri

Detterding, president of Royal Dutch Shell, who want not only higher priced silver, but bimetallism—for the sake of the far eastern trade. They feel that if the value of silver is enhanced and stabilized with reference to gold the Chinese, heavy with hoarded silver, will be suddenly endowed with great money wealth, and will therefore purchase freely and indefinitely from the Occident. The theory seems to be that the billions of stored silver will come out of hiding and go westward in exchange for goods. That assumes that the West will be content to take silver indefinitely in exchange for commodities. And yet here is the Government of China agreeing (Pittman agreement) to export silver resulting from demonetized coins for a period of four years. Actually, China imports silver right along as a matter of merchandise. Why, then, should she care to have silver increase in price and thus have to hand over more of other merchandise for a given quantity of silver? Any way, say the merchants, imports are bought only with exports.

Here's a curious thing about the Chinese and silver. For the almond-eyed ones, silver is something to be acquired but never to be given up. Silver always flows into China, never out. The more valuable it becomes the more the Chinese prize it. To them it is pure, absolute wealth—an economic idol. To export silver for the purpose of buying goods is sacrilege, to the masses. A little, yes, maybe to settle imperious adverse balances — for "face-saving" — but to exchange for vulgar goods, no. Doubtless there are enough modernized Chinese to do some tall and swift spending with their accumulated silver, but if they should run into big money the government stands ready to shut down on them with its embargo.

Now, if the Chinese bankers are right, anything the United States may do by buying silver at an artificial price, to raise the world price of silver, will tend to check the industrial boom in China. One effect of that would be to reduce the Chinese demand for our cotton, lumber, steel and machinery. Apparently about all the United States gets out of the silver price-raising program is an increase of its circulating medium by the number of silver dollars or certificates it may pay out for the 24,000,000 ounces of bullion it is buying annually under the Pittman agreement. A few million dollars of silver a year, however, will neither help prices nor create inflation alarm. But a very sharp increase in the price of silver would bring a temporary boom, in exports to China—as long as we were willing or were permitted to take silver, which wouldn't be long.

But the belief persists in Washington that the United States Government is going to "do something more for silver." The "something" most talked about is the devaluation of the dollar in terms of silver in proportion to the existing devaluation in gold. That would mean that silver would be officially worth $1.90 instead of the present $1.29 an ounce. It is estimated that there are 250 million ounces of silver bullion kicking around in the United States—worth in the market only 46 cents each. The Government might commandeer the silver at the present market price on the net mint price of 64.5 cents before devaluating the silver dollar, and make another magic monetary profit. Having the silver in its possession it could issue a flood of about 400 million dollars of silver certificates, or the coin itself, at the new rate of 219.25 grams of fine silver (present measure 318.25) to the ounce. Aside from domestic inflation, it is argued that with other nations following our example prices would be reflated all over the world, with a resultant expansion of business activity.

As to the chance that much of the 12,000,000,000 ounces of silver in the world would flow to the United States for coinage: in that event, Senator Pittman says that the moment the silver flood set in toward the United Sates all the rest of the world would hasten to remonetize silver, and keep it at home. At the rate of $1.90 to the ounce, that might increase the world's supply of metallic money by many billion dollars—our own by a billion. That ought to give everybody plenty of money and start a spending mania. If silver poured into the United States, we might expect a delirious boom if there is anything in the Warren theory that a high price for standard money metal means high prices all around and business activity.

Imports Are Paid for by Exports, Says Kemmerer

The President's silver proclamation of January 3, 1934, specifically refers to the propriety of co-operating with other governments "to augment the purchasing power of peoples in silver using countries. * * * Exactly how these heavy silver purchases by the United States are to help China is not clear. China, like every other country, pays for her imports chiefly by her commodity exports. * * * As a currency matter, she would not gain from a large advance in the price of silver.—Prof. E. W. Kemmerer in New York "Sun."

Not So, Says Sir Henri Detterding, Oil King

A great deal of harm is constantly done by the utterances of so called economists who try to make the public believe that on the old "book" theoretic principle, viz., "that imports are paid for by exports" the value of a coin has nothing to do with trade. These people conveniently forget that on such a principle an insufficiently developed country could never reach development, as new capital—sterling and/or gold would have, for many years, to be imported in order to stimulate future exports.—Authorized statement by Sir Henri Detterding.

As the silver situation stands today the silver countries do not seem to be especially interested in high-priced silver except as they are silver producers. Naturally every silver miner in the world wants more for his product—and quite properly so.

India is tied to Sterling, left the silver standard a long time ago, and now is off gold along with England. China is the only country in the world worth mentioning which is on the silver standard — and for just that reason it apparently doesn't want the price of silver raised.

In the good old days when cannon were the last argument of traders as well as kings it would have been in order for us to enforce a high price of silver on the Orient. That would have been the way to keep China as a market and check it as a competitor. What we really mean when we talk about restoring the purchasing power of the East is not improving its economic condition but selling it our goods. We don't fight about such things in this year of grace and

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Significant Foreign Events

By H. M. Tremaine

Cheap Pounds

John Bull appears to be falling in line with Uncle Sam's cheap currency policy. Fire is to be fought with fire instead of water. The London price of gold has risen by more than 10 shillings in recent weeks and a still higher price is aimed at. A la Professor Warren, an increase in British commodity prices is now expected. Whether the British policy be one of monetary war or monetary peace between the dollar and the pound, the franc is an injured bystander. With all the world, almost, going in for cheap currencies, French export trade finds it more and more difficult to compete on the gold standard.

* * *

Gold

As the pound sterling falls in gold Britishers begin to hoard the yellow metal. The gold famine has reached an extreme pitch in England. For example: there is an ancient custom whereby the winner of the Westminster pancake is given a guinea; that is to say a gold sovereign and a shilling. This year he got a shilling and an I O U for the pound. The ancient custom has thus been respected. He could not get a gold sovereign, but he did not get a paper pound either. When things change he will present his I O U and will receive his gold coin.

* * *

Panacea

In spite of all the set-backs he has experienced since he became Secretary of State, Cordell Hull still clings to the idea that this world will get better, if it adopts his free trade theories.

His Thursday diplomatic receptions have become a nightmare for the foreign diplomats in Washington.

Regardless of what topic they want to discuss with him—disarmament, debts, the Far East and whatnot—he listens for a few minutes patiently and courteously. Then he begins a long sermon explaining that the only universal cure for all the world's ills is his infallible remedy—the tearing down of the tariff barriers.

* * *

Dual Monarchy

Mussolini, Dollfuss and the Hungarian Foreign Secretary Goemboes are working at present on a plan to bring Austria and Hungary into some sort of monetary and tariff union. Mussolini is reverting to the policy expressed by the great Czech Francis Palacki, a few decades ago that "If Austria did not exist, it would have to be invented." If the present plans materialize, they intend to bring back to the dual throne of the Hapsburgs young Archduke Otto, a weak and inexperienced youth, who will be a handy tool in the hands of Il Duce and his Austro-Hugarian friends.

* * *

Backwards

Europe is getting back to first principles—to old political entities and big guns. Disarmament projects fade out and all nations look to their weapons. Austro-Hungarian monarchy is to be revived if Mussolini can do it. France is on a hot spot. It doesn't like Mussolini dominant in Vienna much more than it would like Hitler in that position. What Europe needs is more business and less politics. Prosperity is the real hope of peace. President Roosevelt's new tariff policy may be the way from war to peace.

* * *

Matrimonial Finance

New York has ceased to be the Mecca of the European borrowers—for the time being at least. But King Zogu I of Albania thinks differently. His trusted aid, M. Seraci, came to New York a few weeks ago to look around for a loan for Albania (the Italians are getting stingy) and for a handsome (fairly so) and rich (very much so) wife for His Majesty himself.

He got little encouragement about the loan proposition, but had a good time trying to pick out a wife for his Sovereign. He gave the once over to all the Park Avenue heiresses and departed on the Ile de France with a bunch of photographs of would-be queens. Seraci will report to Zogu about their wifely qualities and especially about the amounts and kind of investments of their fathers.

* * *

Japanese Goods

Mussolini's recent outbursts about the yellow peril and the Japanese menace are due mainly to the fact that the Nippons are breaking into his territory in Abyssinia. Japanese salesmen have invaded the Ethiopian empire with samples of cheaper and more attractive goods than the Italians can offer. They found a good deal of opposition from the Abyssinian government. An invitation was extended to one of the Abyssinian princes to come to Japan and select a wife, if he chose to do so. The invitation was heartily accepted. A Prince of the blood went to Tokio where he met the daughter of a wealthy merchant. It was love at first sight. The Prince wanted to marry her at once.

The girl said that she would accept him on one condi-

tion; Japan's trade must be given a fair chance in Abyssinia.

The Prince returned home and told Emperor Haile Selassie about the marvels of Japan and the dainty Japanese girl.

A treaty of commerce and amity is now being negotiated between the two empires and as soon as it is signed the wedding bells will ring out.

* * *

Doumergue

The days of the Doumergue cabinet are counted. The new French government is facing a very serious crisis because of the shaky situation of the banks.

For the first time in many years the assets of the leading French banks are frozen and the difficult situation of Andre Citroen, the French Ford, is symptomatic.

There is a good deal of serious talk in Paris about the devaluation of the franc. Perhaps the factions which opposed it so vigorously a few months ago are gradually getting used to the idea.

* * *

Sans France

France is indirectly responsible for Czechoslovakia's abandonment of the gold standard.

Worried about the dangers of a new war in Europe, Foreign Secretary Edouard Benes rushed to Paris and asked the French government for a new loan to perfect Czechoslovakia's war preparations.

Godmother France which has been heretofore liberal with loans to the Little Entente for armament purposes was compelled to say "No." She needed the money herself.

Benes, who had been a strong supporter of the gold block, went back to Prague, where the agrarians in Parliament were urging in vain the abandonment of gold, and agreed to comply with the demands of the agrarians.

He adopted the Roosevelt method of reducing the gold content and the legal covering of the kronen by 16.6 per cent. With the difference thus saved he is now refitting the army, without France's help.

* * *

Friendly

France, beset by internal and external troubles, bethinks herself of the United States. A token payment on her war debt is talked about. Perhaps the new Rooseveltian tariff policy makes for atonement. Then, too, the word goes around the foreign offices of Europe that the President will soon undertake to dispose of the war debts mess, once and for all, with particular leniency toward debtors who do not repudiate in principle even if they dig up little or no cash. Some talk of a plan for payments in silver. That may be what's behind the rumor that fills the world that the U. S. is about to make a silver approach to the problem of reviving international trade. Something anent silver is in the air if speculative markets do not lie.

Wide World Photo

Emperor Pu-Yi of Manchukuo

Bourgeois

On the theory that big business is tending to break down the middle classes and thus cause capitalism to play into the hands of the socialists and communists, several countries are putting chain stores on the spot. Without small merchants the middle classes dwindle in numbers and lessen in power and influence, and what remains of them is dependent upon big business.

* * *

Japan

Efforts to raise the price of silver will, if successful, profoundly affect Chino-Japanese relations. High silver would offset trade advantages of the cheap yen in Japan's trade with China.

* * *

Manchukuo

Although a French concern has come to an agreement with the Japanese regarding French investments in Manchukuo, France will not recognize that new state, for a while at least.

The French are still hoping to save the League of Nations and a recognition of Manchukuo, after the rough treatment the League's Lytton commission got from the Japanese would be a death blow to the Geneva institution.

Neither will the Germans recognize the new state, despite the various reports to that effect from Tokio and Paris. The Germans are still flirting with the idea of coming to terms with the Moscow government and they have been warned that the recognition of Manchukuo would be regarded by Moscow as a definite hostile act.

The rumors of recognition were due to the fact that the German Ambassador had accepted, tentatively, an invitation to visit Manchukuo during the coronation festivals.

When the report of the Ambassador reached Wilhelm Strasse, Baron von Neurath, the foreign secretary, cabled his underling to become ill at once, and a mere assistant commercial attache was sent in his place.

* * *

World Trade

Measured in gold, world trade showed at least negative improvement in 1933. The improvement appeared to be there, although not too apparent. That is, according to figures issued by the League of Nations, the downward plunge tended to level out, even though the decline continued.

The total of the world flow of imports and exports is estimated to have been $23,056,000,000, a drop of only $3,000,000,000 from 1932.

The shrinkage in 1932 was $13,000,000; in 1931, $16,000,000,-000; in 1930, $13,000,000,000. December gains from the year previous, measured in gold, were shown by Argentina, Australia, Egypt, New Zealand, Switzerland, Japan and Great Britain.

Nationalism or Foreign Trade?

Part I — America Embarks on a Broader Tariff Policy of Momentous Implications for Business and Agriculture

By Theodore M. Knappen

Part II of this article will discuss the effects of the new tariff policy on leading industries, showing how some will be benefited by broader markets while others will be adversely affected. Investors will find this discussion most practical in determining the prospect for current holdings.—Editor.

After his first year in office, devoted to concentration on the solution of economic problems by methods almost purely domestic or nationalistic, President Roosevelt has come out squarely for a restoration of American foreign trade.

In his recent tariff message to Congress the President says: "—— a full and permanent domestic recovery depends in part upon a revived and strengthened international trade," and "*American exports can not be permanently increased without a corresponding increase in imports.*" And so he asks Congress for wide powers of tariff adjustment, so that he may quickly make reciprocal bargains with foreign countries, whereby our imports will be deliberately increased in order to enlarge exports.

Thus the President chooses the third of the four economic policies which Secretary of Agriculture Wallace recently stated are open to our choice:

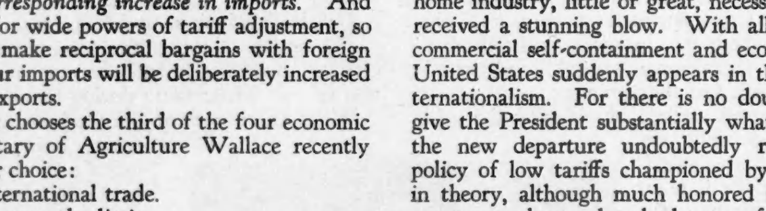
1. Wide open international trade.
2. Self containment to the limit.
3. A planned middle course.
4. The old and present policy of internationalism as sellers and nationalism as buyers.

Following a year of increasing trend toward nationalism, which was marked by (1) a go-it-alone monetary policy, (2) deliberate restriction of exportable agricultural products and (3) adaptation of industrial production to the requirements of the domestic market, the sudden declaration in favor of the cultivation of foreign trade has come as a surprise.

Despite the President's declaration that his tariff policy will be so shaped as not to injure "any sound and important American interest" the implication is obvious that some American interest must of necessity be injured in order to benefit others. There is to be no doubt about that. The prospect has thrown the whole country into a renewal of the ancient tariff debate. Everybody is anxious to know which are the unsound and unimportant industries that are to be the goats destined for sacrifice on the altar of the general good.

The historic American policy of fostering almost any home industry, little or great, necessary or superfluous, has received a stunning blow. With all the world cultivating commercial self-containment and economic nationalism, the United States suddenly appears in the role of modified internationalism. For there is no doubt that Congress will give the President substantially what he demands. While the new departure undoubtedly reflects the traditional policy of low tariffs championed by the President's party in theory, although much honored in the breach, it runs counter to about a hundred years of practice.

The American policy, now become the world policy, has been to sell as much as possible abroad and buy as little as possible. We have come to think of imports as offenses to prosperity, and have credited all the benefits of foreign trade to exports. In our eyes a favorable balance of international trade has, curiously, always meant an excess of exports over imports. We have regarded the inflow of cash as the measure of our success in foreign trade. To have a trade balance that required an export of cash was taken as a sign of disaster. We seem to have regarded the possession of money rather than of goods as the measure of wealth.



And yet any individual trader would think himself a failure if he received less than he gave. Imagine an Eskimo complaining because he gets a shipload of merchandise in return for a kayak-load of skins.

But whatever the Congress and the President do now we must all agree with Secretary Wallace that sooner or later we must firmly take a stand in regard to inter-national trade. For if we do not choose our own policy it will be chosen for us by the outside world. There is something to be said for all of the courses which lie open to us, except the fourth, although many conservative-minded people will be strongly inclined to let international economic relations go on as they have been going. That course, however, is really the antithesis of protectionism in these times, for it means that we shall leave determination of our economic fate to the incidence of the policies followed by other nations.

To adopt what might be called the international view of our foreign trade relations we should be prepared to accept freely sufficient imports to pay for our normal exports of American products and to make payments on the debts, public and private the world already owes to us. Mentioning only the surpluses of cotton, wheat and tobacco, Secretary Wallace says that the international solution of our economic difficulties will call for a volume of imports larger in value by a billion dollars than even those of 1929. In the nature of things these additional imports would be chiefly of manufactured goods although such raw commodities as rubber, jute, tin, silk would continue in large volume.

"We might in time consume all the wheat we could produce, but never all the cotton"

It is useless to say that such an influx of foreign goods would not displace a great measure of American industrial products. The displacement might be an orderly one, under government planning and assistance, or it might be the brutal one of unrestrained survival of the fittest. Either way, it would mean a radical readjustment of American industry, with deplorable local and regional effects.

After it was accomplished we would be perpetually dependent economically upon the foreign world to a far greater degree than now. That indeed is what internationalism in trade means to every nation. The international view of trade between nations is that of the average human being, the individual, instead of that of the national group. It envisages a sort of division of labor among the peoples of the world—each group having the specialties in which it excels—meaning cheaper, better and more goods all around. It is based on the theory, always accepted domestically, that it is trade that makes wealth—the more trade, the more wealth.

Adoption of internationalism would mean that the agricultural interest would be protected in its present capacity for production at the expense of the manufacturing interest, and the banker and investor in foreign securities at the same expense. In the long run neither the American farmer nor the American lender or investor abroad can be protected on the normal output of the former or the present investment of the latter without a great increase in imports. It is only the balances of goods and services that can be settled in cash. If there are no imports there is no payment of debts; and no exports, except through new loans and more debts; which only puts off the evil day of reckoning.

Ideal as might be the equilibrium of international trade which would finally be attained under an international trade policy it is utterly impracticable. In the first place, it would, to be truly successful, require a benevolent international trade attitude on the part of all nations—something that is not to be dreamed of until war shall be no more, including economic war.

Being a continental nation, with abundant natural resources and with an actual or potential manufacturing capacity to supply all our requirements, we are already the most nearly self-contained great nation in the world. And under a studied policy of self-containment we could approach it in the full sense more nearly than any other nation. Self-containment implies the disappearance of exports as well as of imports. The brunt of the hardship, not only of readjustment, but of permanent self-containment would fall upon the agricultural classes. If we were to cut off all agricultural exports, or have them cut off for us, we should probably have to retire from cultivation about a hundred million acres of land. That would mean a lower standard of living for the entire people, and a painful redistribution of population—decline of cities, desertion of villages, tilled land restored to the wilderness. It would take a long, long time, if ever, to bring up domestic consumption of agricultural products to a balance with present productive capacity. At first, indeed, domestic consumption would be reduced because the elimination of exports of manufactured goods would give us a long-time problem of unemployment, resulting from the displacement of the two or three million of workers in the manufacturing industries who are dependent upon the export trade.

If we were still expanding economically on a great scale in response to a multiplying population, we might in time consume all the wheat we could produce, but never all the cotton. But immigration has been replaced with emigra-

(Please turn to page 580)

¶ *Rising Prices and Increasing Demand Have Resulted in Significant Inventory Changes for Many Companies.*

¶ *What May Be Advantageous in One Industry Is Not Necessarily So in Another—Larger Inventory Accounts Should Be Critically Examined.*

Profit and Loss Potentialities in Recent Inventory Changes

By J. C. Clifford

Points to consider in appraising the inventory account in recently published balance sheets:

1. ***Is a rise in price solely responsible for the larger inventory, or does it represent a real gain in physical stocks?***
2. ***If larger physically, is it justified by greater business volume?***
3. ***Is the physical inventory adjudged subnormal, normal, or abnormal.***
4. ***Though the dollar value of the inventory has gained greatly, will the public pay on this basis. i.e. What of the company's profit margin?***
5. ***How has the company's cash position been affected by the inventory changes?***

OF all the items appearing in a balance sheet, inventory holds the greatest latent power for both good and ill. The value placed upon fixed property may be ultraconservative, or the reverse; a fat list of receivables can, and sometimes does, turn out to be mainly uncollectables. Nothing, however, hides quite as much as the inventory account.

Moreover, while inventories lend themselves to easy juggling if one be so disposed, they are almost equally difficult not to juggle. It is seldom that a management's honest efforts to convey a true picture of this item come even close to their objective. This is not to say, of course, that it is incorrect for such a company as Continental Can to state that its inventories, valued at the lower of cost or market, totalled $18,881,890.04 as of December 31, 1933. On the contrary, this statement in all probability is as near to being literally true as human mechanics can make it. Furthermore, it means exactly what it says. It is only when one comes to the implications that trouble arises. Do the recent changes in the inventory account of Continental Can and other companies better their position, or weaken it and, if so, is the betterment or impairment of position of important significance?

Over the past year or so there has been a lot of loose talk about inventories—of the profits that would accrue to companies because of the rise in prices. While this talk in some instances appears to have been well borne out by the facts, other companies apparently just as well situated have proved a big disappointment to their owners. Why, for example, did J. C. Penney, a typical "inventory" company, report a profit of $14,200,000 for 1933, compared with $5,100,000 in 1932; while Firestone's profit for the fiscal year ended October 31, last, was less than half that of the previous year despite greater business activity and heavy inventories of rubber and cotton which enjoyed a price rise much more sensational than the average item handled by Penney? Before attempting an explanation, let us clear up this whole question of so-called inventory profits and losses.

If a man buys a bushel of wheat for a dollar and sells it for $1.20, it is commonly thought that a profit of 20 cents has been made. This, however, is not strictly so. If the transaction was merely a casual one, the 20-cent "profit" was really a capital gain, not a profit. On the other hand, if the transaction was one of many making up a regular business, it has not been completed. Before a real profit could be made, it would be necessary to acquire another bushel of wheat and re-attain the position from which he started. If this were done and there were still 20 cents left over, then there has actually been a profit of this amount. Let us consider now the case of fluctuations in the price of wheat *while it is being held for sale.*

First, the price declines to 70 cents. This causes the retail price to be reduced to 90 cents. Now because the raw material actually costs $1 and it is being retailed for 90 cents, there is an apparent loss of 10 cents. Really, however, there is no such loss. With the 90 cents obtained for the finished product, the original stock of merchandise can still be repurchased and there would still be 20 cents in addition. Similarly, should the price of raw material rise to $1.40 and the retailer or processor, on the basis of this, obtain $1.60 for the finished product, it is incorrect to say that a profit of 60 cents has been made because the raw

material actually cost only $1. Forty cents out of the 60-cent profit disappears immediately on the replacement of the original stock.

It follows therefore that a "normal" inventory—aside from the usual manufacturing and handling profit and losses—is not in itself a source of real gain or real loss. Although a "normal" inventory cannot be defined very definitely, it may be said to be the physical stock of goods that it is necessary to carry in order to serve one's customers efficiently. What might be a normal inventory at one time, of course, might be subnormal or abnormal at another. Nevertheless, despite their vagueness, these are terms of portent at any specific time.

Any fluctuation away from the "normal" in an inventory should be regarded as a separate speculative transaction. If subnormal, it corresponds to a short sale of a stock of commodities; if abnormal, it should be regarded just as an individual would regard a speculative purchase of cotton or wheat and the capital gains and losses resulting therefrom should be treated just as the individual would treat them.

Conservative accounting practice caters to the illusion of inventory profits and losses by insisting that write-downs in inventory values be charged against the year's operating results. A company, however, so long as it continues to obtain the same volume of business and the usual manufacturing or merchandising profit, can operate indefinitely under a declining price trend, reporting under this system enormous losses every year, and yet have its real position unimpaired. Indeed, cash holdings, other things being equal, would rise.

Now this, the theory, needs some trimming to fit in with actualities. In practice, it must be modified to take into account that there is never the extreme flexibility in the market price of the finished product that has been assumed. In other words there is no such thing as a stable profit margin. Because the public has been educated to it, the price of certain products is extremely rigid. Whether the costs of manufacture go up or down, the public will still insist upon paying the old price. If costs go up in these cases, profits are apt to almost disappear; if they go down the producer becomes extremely prosperous. The profits garnered by the cigarette, branded foods, and dairy companies in the beginning of the late depression afford an excellent example of the prosperity phase. At the same time, and particularly in a period of rising prices, there are products for which the public seems perfectly willing to pay even more than might be demanded strictly on the basis of increased costs.

Inventory and Cash Positions Compared

Company	Inventories (Year End) 1933	Inventories (Year End) 1932	Cash or Equivalent (Year End) 1933	Cash or Equivalent (Year End) 1932
American Can	31,332,392	14,568,788	8,592,553	13,690,322
Armour (yr. Oct. 31)	73,934,800	52,514,177	26,010,651	36,485,920
			9,663,000 Notes Pay.	
American Woolen	36,437,785	16,928,872	3,166,693	11,577,724
			5,850,000 Bank Loan	
Chrysler	34,556,769	18,377,465	37,369,976	42,602,493
Continental Can	18,881,890	9,601,027	8,614,512	13,177,989
Endicott Johnson (yr. Nov. 30)	12,906,644	9,787,140	3,320,515	5,932,475
Firestone T. & R. (yr. Oct. 31)	28,541,261	26,826,144	14,320,030	13,167,848
Goodyear T. & R.	39,422,407	36,666,253	52,144,229	50,073,277
Kresge, S. S	17,838,258	13,792,825	10,150,011	6,243,573
Liggett & Myers	78,115,179	76,746,077	60,943,747	73,170,538
Marshall Field	24,566,800	17,520,513	10,113,862	20,721,250
Penney, J. C	45,233,522	27,314,872	8,899,646†	22,829,707
Reynolds Tobacco	79,901,004	76,356,770	49,156,116	60,340,555
Sears, Roebuck Jan. 29 '34/Jan. 28 '33	72,296,877	49,084,896	14,743,087	10,498,432
			5,970,985 Notes Pay. Inc.	
Swift & Co. (yr. Oct. 31)	72,981,625	56,746,680	49,635,836	56,370,019
Woolworth	35,424,198	27,728,635	22,050,346	19,501,701

† Cash reduction partly due to preferred retirement.

Here is the explanation for the divergent showing made by Penney and Firestone last year. Penney started 1933 with a merchandise inventory valued at $27,314,873 on which, as it was sold, there was only a comparatively small margin of profit. Following our abandonment of the gold standard, however, prices started to rise quite rapidly and, quoting from the annual report, the company began to be "permitted to maintain a normal mark-up on the merchandise handled." At the same time, business volume increased and had the usual lightening effect upon overhead expense, despite such offsetting influences as N R A.

Firestone, on October 31, 1932, carried inventories totaling $26,826,144, at the lower of cost or market. But this low cost inventory and a mounting demand for the finished product did the company little good in the following year. The price of the inventory rose, it is true. The company, however, was unable to effect a corresponding price increase in the finished product. Indeed, in March, 1933, a reduction of approximately 25% was made in tire prices. In its annual report, the company went on to say "Since the March reduction, there have been three small price increases but, even with these increases, tire prices today (December 1, 1933) are still about 2% lower than a year ago, even though the price of crude rubber has advanced 150%, cotton 60%, and labor in our factories and service stores 20% to 25%." This shows very clearly why there is something more to profits than the possession of a large, low-cost inventory.

Firestone's inventory last October was carried at $28,541,261 and it consisted of more than enough rubber and cotton to take care of the company's requirements for 1934. No real benefit, however, will accrue to the company or its stockholders unless tire prices are raised more vigorously than the insignificant 3% increase that was made the other day. In general, this applies to all the rubber companies—their position is potentially a good one, but whether the full promise will ever be substantiated remains to be seen.

The position of Penney, and in general the other merchandising companies, however, appears to be almost as good now as it was last year. From general indications it looks as if the physical size of their inventories had at least kept pace with their increasing business volume. This is to say that there are no signs that they have permitted their inventories to drift into the subnormal position which, as has been explained, is virtually a "short sale" of merchandise. At the same time, it must be confessed that there are not many companies concerning which one would hazard a guess that their inventory last year had been built up to an abnormal position; i. e., that they currently held a long *speculative* position in merchandise.

Perhaps the two big can companies come closest to being in this position. American Can's inventories at the beginning of this year were carried at $31,332,392, compared with $14,568,788 a year ago, while Continental Can had

(*Please turn to page* 577)

The Magazine of Wall

THE MAGAZINE OF WALL STREET'S Bond Appraisals of active and important bonds is presented in two parts. The sections alternate with appropriate alterations and additions, so that holders and prospective buyers of bonds may be constantly informed as to the effect of developments in the largest number of issues.

Naturally, it is understood that all the issues mentioned do not constitute recommendations, although the relative merit of each is clearly indicated either by the tabular matter or by the comment. For those who desire to employ their funds in fixed income-bearing securities we have "double starred" the issues which appear to us most desirable, safety of principal being the predominant consideration; while a single star designates those which, while somewhat lower in quality, nevertheless provide an attractive income, or offer possibilities of price enhancement.

Inquiries concerning bonds should be directed to our Personal Service Department.

Railroads

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1932	Fixed Charges times earned† 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Atlantic Coast Line R. R.								
1st Cons. 4s, 1952	153	51	.1	.7	N C	95	4.4	Road did much better last year. Bond is a strong one.
Gen. Unif. "A" 4½s, 1964	153	34	.1	.7	N C	89	5.2	Junior to issue above.
★A. C. L. R. R. Louisville & Nashville Coll. Tr. 4s, 1952	153	35	.1	.7	105	84	5.4	Secured by 596,700 shares L. & N. R. R. currently worth $54 a share.
Central R. R. of N. J. Gen. 5s, 1987	56	50	.7	.6	N C	105	4.7	Good bond, tho represents large proportion of total debt.
Denver & Rio Grande Western R. R.								
Ref. & Imp. "B" 5s, 1978	119	24	.5	.6	102½*	33	..	Prior liens total some $71,000,000.
Gen. 5s, 1955	119	30	.5	.6	105	24	..	Interest due Feb. 1 unpaid. Final decision before April 1.
Rio Grande Western Ry. 1st 4s, 7.1.39	119	15	.5	.6	N C	84	7.6	Undisturbed 1923/24 reorganization, but now not over strong.
Denver & Rio Grande 1st 4s, 1.1.36	119	42	.5	.6	N C	49	..	Almost speculative.
Rio Grande Western Ry. 1st Cons. 4s, 1949	119	16	.5	.6	100	58	9.2	Also borders on the speculative.
Pennsylvania R. R.								
★★Cons. 4½s, 1960	599	93	1.2	1.2	N C	107	4.1	High grade investment.
Gen. 4½s, 1965	599	285	1.2	1.2	N C	98	4.6	Junior to issue above, tho good grade.
Sec. 6½s, 2.1.36	599	60	1.2	1.2	N C	105	3.9	Pledged security includes $60,000,000 general mortgage issue.
Sec. 5s, 1964	599	50	1.2	1.2	105*	100	5.0	Secured pledge div.-paying stocks.
Deb. 4½s, 1970	599	60	1.2	1.2	102½ '40*	87	5.3	Reasonably good issue, tho unsecured by mortgage.
Allegheny Val. Ry. Gen. (now 1st) 4s, 1942	599	20	1.2	1.2	N C	101	3.8	Better grade investment.
Pennsylvania Co. Tr. Ctfs. "E" 4s, 1952	599	25	1.2	1.2	N C	90	4.8	Good grade holding.
Guaranteed Issues								
Long Island R. R. Ref. 4s, 1949	48	27	2.2	1.9	N C	98	4.2	Better grade on its own merits.
★★N. Y. Connecting R. R. 1st "A" 4½s, 1953	..	27	..	..	105	101	4.4	New Haven also guarantees. Better grade.
Pennsylvania, Ohio & Detroit 1st & Ref. "A" 4½s, 1977	..	32	..	..	102½*	97	4.7	Good grade bond.
Phila., Balt. & Washington R. R.								
1st 4s 1943	53	16	..	..	N C	102	3.7	Of the highest grade.
Gen. "C" 4½s, 1977	53	39	..	..	N C	101	4.4	Junior to issue above, but still strong.
Pitts., Cin., Chic. & St. Louis								
Con. "A" 4½s, 1940	128	39	..	..	N C	103	3.9	High grade investment.
Gen. "B" 5s, 1975	128	75	..	..	N C	104	4.8	Junior to issue above. Good grade.
Reading Co.								
Gen. & Ref. "A" 4½s, 1997	136	74	1.4	1.7	105	100	4.5	Better grade bond, tho represents large proportion of total debt.
Jersey Central Coll. 4s, 1951	136	21	1.4	1.7	105	92	4.7	Collateral is valuable. Good bond.
Southern Ry. Co.								
1st Cons. 5s, 1994	294	92	.3	.9	N C	99	5.1	Fairly sound bond.
Dev. & Gen. 4s, 1956	294	154	.3	.9	N C	67	7.0	Junior to issue above.
★St. Louis Div. 1st 4s, 1951	294	12	.3	.9	N C	84	5.5	Reasonably good bond.
East Tenn., Va. & Ga. 1st 5s, 1956	294	13	.3	.9	N C	101	4.9	Mileage is important. Good caliber.
New Orleans Terminal 1st 4s, 1953	..	14	.3	.9	N C	83	5.4	Fair grade.
Atlanta & Char. Air Line 1st 5s, 1944	..	20	.3	.9	N C	102	4.7	Good, sound investment.
Texas & Pacific Rly.								
First Cons. 5s, 2000	85	25	1.0	1.0	N C	103*	4.8	Well secured.
Gen. & Ref. "C" 5s, 1979	85	49	1.0	1.0	105 '39*	79	6.4	Junior to issue above.

Public Utilities

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	1932	1933	Call‡	Recent	Yield to Maturity	COMMENT
Carolina Power & Lt. 1st & Ref. 5s, '56	46	39	1.4	..	105*	68	8.1	Fair Caliber. Possible rate reduction shortly.
Central Illinois Public Service 1st & Ref. (now 1st) "F" 4½s, 1967	56	56	1.6	1.2E	105*	60	7.9	Earnings lower. Bond is of fair quality only.
Cleveland Electric Illuminating Co.								
1st 5s, 4.1.39	40	30	3.9	3.5E	102*	106	3.7	Of the highest grade.
Gen. "A" 5s, 1954	40	22	3.9	3.5E	105	109	4.3	Junior to issue above, tho still strong.
Commonwealth Edison 1st "F" 4s, 1981	195	175	2.0	1.8	105*	87	4.7	Good investment bond.
Cons. Gas, El. Lt. & Pwr. of Baltimore								
General 4½s, 2.14.35	64	15	3.1	2.9	N C	102	2.5	Of the highest grade.
★★1st Ref. 4s, 1981	64	41	3.1	2.9	105*	100	4.0	Junior to issue above, but still high grade.
Safe Harbor Water Pr. 1st 4½s, 1979	21	21	..	..	105*	103	4.3	Con. Gas guarantees. Strong bond.

ll Street's Bond Appraisals

Public Utilities (*Continued*)

Company	Total funded debt (mil'ns)	Amount of this issue (mil'ns)	Fixed Charges times earned† 1932	Fixed Charges times earned† 1933	Price Call‡	Price Recent	Yield to Maturity	COMMENT
Detroit City Gas 1st "B" 5s, 1950	31	31	2.1	..	105*	88	6.2	Of reasonably good grade, despite recent troubles with city authorities.
Illinois Bell Telephone 1st & Ref. 5s, 1956	49	49	4.2	4.5	105*	108	4.4	High grade investment.
Milwaukee Elec. Ry. & Light Ref. & 1st (now 1st) "B" 5s, 1961	63	63	1.4	1.4E	103½*	73	7.3	Milwaukee to seek PWA loan for own plant. Bond is of fair grade only.
Nevada-Cal. El. 1st Tr. 5s, 1956	31	28	1.2	1.2	102½*	75	7.3	Represents large proportion of total debt.
New England Tel. & Tel. 1st "B" 4½s, '61	88	75	2.5	2.3	100 '53	106	4.1	High grade investment issue.
New York Steam 1st 5s, 1951	28	28	2.1	2.0	105*	104	4.7	Better grade open mtge. bond.
North Amer. Lt. & Pr. Deb. "A" 5½s, '56	193	18	1.0	def	102½*	45	13.2	None too strong holding co. obligation.
Pacific Gas & Electric Co.								
Gen. & Ref. 5s, 1942	306	96	2.2	2.0E	105*	105	4.3	High grade.
1st & Ref. "F" 4½s, 1960	306	170	2.2	2.0E	105*	97	4.7	Junior to issue above, but still strong.
California Gas & Electric Unif. & Ref. 5s, 11.1.37	306	11	2.2	2.0E	110	105	3.6	Of the highest grade.
Sierra & San Francisco Power								
1st 5s, 1949	306	11	2.2	2.0E	110	96	5.4	Pac. Gas guarantees int. Reasonably strong.
2nd "B" 5s, 1949	306	8	2.2	2.0E	105	..	..	Junior to issue above, but with same guarantee as to interest.
San Joaquin Light & Power Unif. & Ref. "D" 5s, 1957	34	33	1.6	1.6E	104*	..	..	Reasonably good bond.
Great Western Power 1st 5s, 1946	20	20	1.8	1.6E	106	103	4.7	Better grade.
Public Service Corp. of N. J.								
Perpetual 6% Certificates	210	19	3.0	..	N C	112	5.4	Secured by pledge stock of subsidiaries. Good holding.
Public Service Electric & Gas Co.								
★★1st & Ref. 4½s, 1967	115	91	3.8	..	104½*	105	4.2	High grade.
United Electric Co. of N. J. 1st 4s, 1949	115	18	3.8	..	N C	102	3.8	Senior to issue above. Highest grade.
Hudson County Gas 1st 5s, 1949	..	11	3.8	..	N C	109	4.2	Strong bond.
South Jersey G., El. & Trac. 1st 5s, '53	..	13	..	..	N C	106	4.5	Better grade investment.
Shawinigan Water & Power 1st & Coll. "A" 4½s, 1967	89	89	1.6	1.4	103*	87	5.3	Entitled medium rating only.
Southern California Edison								
Gen. 5s, 11.1.39	138	13	3.0	2.3E	105	106	3.9	Entitled to the highest rating.
Ref. 5s, 1951	138	120	3.0	2.3E	105*	103	4.7	Junior to issue above.
Tennessee El. Pwr. 1st & Ref. "A" 6s, '47	47	37	1.9	1.7	105*	80	8.6	None too strong. Rate cut of app. 14% ordered.
Toledo Edison 1st 5s, 1962	28	28	2.7	..	105*	98	5.1	Good grade bond.

Industrials

★Am. I. G. Chem. Gtd. conv. Deb. 5½s, 1949	30	30	2.1	..	110*	96	5.9	Real caliber difficult to ascertain. Probably good bond.
American International Conv. Deb. 5½s, '49	14	14	..	..	105	82	7.5	Asset value about $1,297 on 12.31.33.
Armour & Co. (Ill.) R. E. 1st 4½s, 6.1.39	90	38	.2p	1.5p	102½	94	5.9 p	Years to 10.31. Outlook much improved.
★Armour & Co. of Delaware 1st 5½s, 1943	42	42	.2p	1.5p	105	89	7.2	Illinois co. guarantees. Fairly good bond.
California Packing conv. Deb. 5s, 1940	14	14	def b	..	103½	98	5.4 b	Year to 2.28.33. Black figures expected for last year, improving bond's quality.
Crane Co. Notes 5s, 1940	12	12	def	..	101¾*	91	6.9	Recent business better. Deficit for last year should be smaller.
Crucible Steel Deb. 5s, 1940	13	10	def	..	102*	89	7.3	Still second grade, tho outlook improved.
★Dodge Bros. Deb. 6s, 1940	40	40	def q	4.5q	106*	103	5.4 q	Chrysler's earnings. Position improved by upturn in automobile industry.
Goodyear Tire & Rub. 1st & Coll. 5s, 1957	60	55	.8	2.6	103*	95	5.4	Outlook improved. Good grade bond.
Liggett & Myers Tobacco Co.								
Deb. 7s, 1944	28	13	14.8	11.1	N C	123	4.2	Industrial obligation of the highest grade.
Deb. 5s, 1951	28	15	14.8	11.1	N C	109	4.3	Junior to issue above, but still high grade.
National Steel 1st Coll. 5s, 1956	42	39	1.8	2.4	105*	97	5.2	Better grade industrial bond.
Socony-Vacuum Corp.								
Std. Oil of N. Y. Deb. 4½s, 1951	87	65	2.3	..	101*	103	4.3	Strong bond, tho not secured by mtge.
Gen. Petroleum 1st 5s, 1940	87	16	2.3	..	102½*	105	4.1	Assumed Socony-Vacuum. Also strong.

Short-Term Issues

	Due date							
★★Chesapeake & Ohio 1st Cons. 5s	5.1.39	30	3.2	3.7	N C	108	3.3	Investment of the highest grade.
★★Consumers Power 1st & Ref. 5s	1.1.36	33	3.0	2.5	105	104	2.9	High grade issue.
Cumberland Tel. & Tel. Gen. 5s	1.1.37	15	3.2m	..	N C	105	3.2 m	Earnings Sou. Bell Tel. assuming co.—Highest grade.
Edison Electric Ill. (Bos.) Notes 5s	5.2.35	61	2.6	..	100½*	103	2.0	Company enjoys a fine credit standing.
Great Northern Power, 1st 5s	2.1.35	7	1.7n	..	110	100	5.0 n	Earnings Minn. Pwr. & Lt. Reasonably sound issue.
Texas Power & Light 1st 5s	6.1.37	25	1.8	..	105	101	4.7	Of good investment caliber.
Third Avenue R. R. 1st 5s	7.1.37	5	2.0	..	N C	92	7.6	Among the stronger traction issues.

† Fixed charges times earned is computed on an "over all" basis. In the case of a railroad, the item includes interest on funded and other debt, rents for leased roads, miscellaneous rents, etc.; in the case of a public utility it includes interest on funded and unfunded debt, subsidiary preferred dividends, minority interest, etc. ‡ An entry such as 105 '36 means that the bond is not callable until 1936 at the price named. * Indicates that the issue is callable as a whole or in part at gradually decreasing prices. E Estimated. ★★ Our preferences where safety of prinicipal is predominant consideration. ★ Our preferences when some slight risk may be taken in order to obain a higher return.

CORN PRODUCTS REFINING CO.

Monument to Management

Reflecting More Than a Quarter-Century of Sound Manufacturing, Shrewd Selling and Wise Investment of Capital Funds

By William Wren Hay

Income Account

	1927	1933
Profit from operations	$12,983,757	$12,152,732
Deduct:		
Interest on Bonded Debt	119,194	87,929
General State, Corporate and Federal Taxes	2,295,555	2,411,467
Insurance—Fire and Liability	227,341	161,251
Depreciation on Plants, Machinery and Equipment	2,969,561	2,082,147
Net Income from Operations	$7,372,106	$7,409,938
Other Income:		
Interest on Loans, Deposits and Open Accounts	525,241	111,404
Interest and Dividends on Securities	1,781,246	855,672
Income from Subsidiary and Affiliated Companies	921,678	3,127,927
Total Income Available for Dividends	$10,600,271	$11,504,942

NEARLY a generation ago, while the first Roosevelt was on his trust-busting rampage, some of the men who had been trained under the elder Rockefeller organized their own little trust and combined most of the wet-process corn plants in the country by acquiring their capital stock. In due course of time, this trust also was ordered dissolved and out of it emerged the organization known as Corn Products Refining Co., which was the name of the parent company incorporated in 1906. In those days a Roosevelt sought favor with the people by attacking the "soulless" corporation because it stifled competition; and the bigger the business, the better target it made.

Nowadays, by comparison, the old trusts seem to have been puny affairs but another Roosevelt appeals to the passions of the mob by attacking, through his advisors, the very soul of business: management—holding to the vulgar gaze the pay checks and reward payments of the managers of the principal corporations in the nation. The stockholders in some of these corporations have reason to feel that they did not get their money's worth; but the shareholder in Corn Products Refining Co. might reflect on the fact that, in the halcyon year of 1929, the executive committee of their company received an amount less than 0.6 of 1% of the then net assets of the company for administering its affairs and they managed to earn 17.4% on the book value of the equity; furthermore, payments of but one-third of 1% of the company's net assets were made last year to those who managed to earn 12.1% on the shareholders' equity; and even in 1932, the worst year most people ever experienced, more than money interest, or 8.1%, was earned on the equity capital. There are few, if any, managements which can point to such accomplishments.

A Test of Management

The depression tried the managers of every corporation and a great many have been found wanting, as their stockholders can testify. The work of management in very large corporations partakes of both executive and administrative functions to a very large degree—direction of the concern's operations and administration of its finances. In future, everyone has to face the contingency of inflation and it behooves investors and prospective investors to examine the record and try to determine whether a concern would be able to meet the problems of inflation, whether it is financially sound and liquid, whether its reserves and surplus are sufficiently mobile to enable it to "lend" them through integration or otherwise and whether it might emerge from the orgies of inflation with real capital on which to survive the aftermath. We think that Corn Products Refining Co. has an excellent chance to come out unscathed from inflation and it would be able to conserve its capital abroad. There is nothing inherent in the kind of business facilities employed by this enterprise or in the type of its business that enabled it to weather successfully the distressing years of depression or that would enable it to survive possible inflation, for as long as the present management is permitted to conduct the affairs of the company for its shareholders, just so long may shareholders remain secure in the value of the equity.

Among business men, Corn Products has long been held up as one of the very best managed corporations in the country. The basic raw material used by this manufacturer is corn, which is subject to the vagaries of nature and to speculation. At first, speculators were slow to realize this factor of management and after the war, when prices tumbled, they made a "sugar" stock out of it because it makes corn sugar, then they tied it to the grain market because it grinds corn. As a matter of fact, neither the price of corn nor of sugar have much effect on this company's income because corn sugar is preferred by confectionary makers and other large users and corn purchases are hedged. The management has to

a large degree eliminated the risks of these commodity markets but enjoys a high reputation among grain speculators for its perspicacity.

Expanding Sales Volume

Originally, the business was confined largely to bulk corn goods in the wholesale markets, although a comparatively small volume of household cooking and laundry starches in old-fashioned packages was sold through grocery stores. Shortly, table syrups in bright labelled cans, then cooking oil made their appearance and during the depression new outlets for corn starch foods and the rapid growth of corn starch for the bath added volume and more stability to sales. Result: during 1933, there was an increase of one-third in domestic sales volume, a good part of which may be ascribed to "selling," while sales abroad increased 15%. The sound merchandising policies of the company have resulted in raising the importance of packaged goods to fully equal the sale of bulk products to industrial users, while an equal weight of by-product elements are sold as stock feed.

The products derived from the three parts of the corn kernel by the wet process are classified as follows:

The Hulls—Feed Cake
The Germ—Corn Oil
Kernel—Starch and Syrups, Sugar, etc.

Some of the products and by-products require such different handling that controlled affiliated companies prepare and sell them. Hence, National Adhesives Corp., manufactures adhesives from starch, dextrine, etc.; Two feed mill organizations, New England Grain Products Co. and Allied Mills, Inc. (formerly American Milling Co.), manufacture cattle and poultry feeds and make corn grits for brewers.

Industrial and edible corn starches and corn oil are finish-processed and packed by the parent company. A large proportion of the company's products are marketed through its subsidiary, Corn Products Sales Co. Many of its packaged goods are household words, —"Karo" syrup, "Mazola" cooking oil, "Argo" and "Linit" laundry starch and the old Duryea's and Kingford's corn starch for food were used by our grandmothers. A few years ago, "Kre-Mel," a prepared dessert was introduced. Industrial bulk goods include various starches for the textile, paper and tanning industries; syrup and glucose (corn sugar) are used by confectioners and bakers instead of cane sugar; and corn oil is used to make soap chips. National advertising and nation-wide distribution established the branded, packaged goods in every kitchen and they are carried by every retail grocer.

Conservative Depreciation Policy

Originally there were about a dozen plants operating and the trust acquired a number of abandoned plants. All of the obsolete and inefficient plants have been sold, abandoned or otherwise disposed. The main manufacturing plants of the country are located in the corn belt, that at Argo, Ill., being one of the man-made wonders of the West. A plant at Edgewater, New Jersey, is primarily engaged in finishing and packaging raw materials furnished from the main processing plants and a factory at Milwaukee produces carton shipping cases. In the first quarter-century of its existence, over 45 million dollars was expended for new plant facilities in the United States alone, real estate, plants and equipment now standing at a cost of $62,715,898. Write-offs for depreciation amount to $26,906,125, represented by marketable stocks and bonds having a market value at the close of last year of $17,334,600 and a book value of $25,760,207. In other words, the depreciation reserve is there.

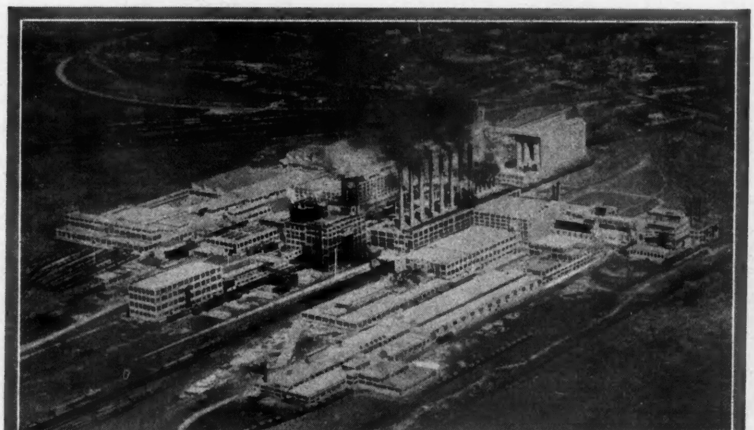
The policy of the company is to price its goods to produce volume at a fair profit but generally a larger profit may be made on low priced corn. Prices for bulk industrial goods are based directly on the market price of the raw material, the prices for by-product feeds are directly competitive with other feeds but the prices for household package goods vary slowly. Thus part of the work of the management is concerned with pricing all of the joint-production so as to sell everything made at a profit. How much more competent this management has been is recorded in the income statements.

So far we have considered only the domestic business of Corn Products Refining Co. "Some years ago, when foreign countries began to establish high tariff rates on importations of products from the United States, the directors . . . foresaw the ultimate loss of . . . export business and became convinced that the only method of maintaining, expanding and developing markets in foreign fields was to establish . . . factories abroad," (Annual Report for 1933). Corn Products owns and operates foreign affiliated factories in thirteen countries in Europe, South America and Japan and its own selling branches are maintained in every country of any importance in the world. The problems connected with these foreign affiliations are, of course, complicated but here again the work of the management is paramount, especially in the purchase of the raw material, since either American or Argentine corn can be used, whichever is cheaper.

Shrewd Financial Administration

The class of management displayed in this instance in the manufacture and distribution of corn products in manifold forms and markets is probably equalled in several other large corporations in other lines of business. When we come to examine the financial management of Corn Products we discern exceptional ability, exemplified particularly during the early years of the enterprise and in the last few years of depression.

In 1906, when Corn Products Refining Co. was formed, it took over a number of old concerns, none of which had made any profits for several years and some of which were on the verge of bankruptcy. The new company assumed all the obligations of these defunct enterprises and went into debt on its own account. During the first 25



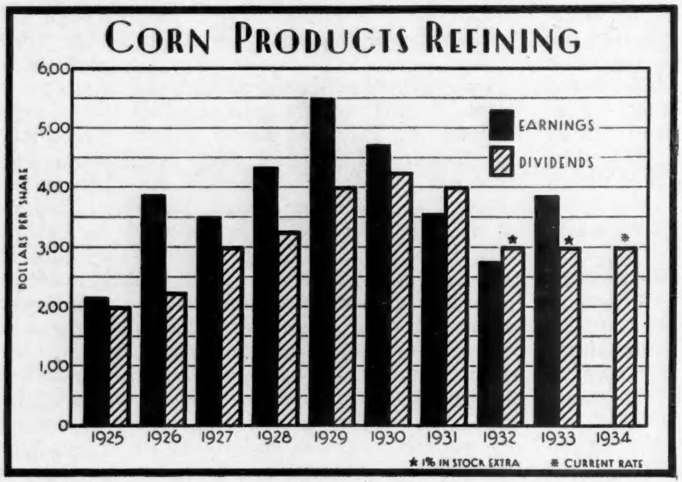
Corn Products Factory at Argo, Ill.

years of existence under one management, all except $1,754,000 first mortgage bonds, due in 1934, were paid off, 16 million dollars were written off for patents, processes, trade marks, good will, etc., and 20 million dollars were written off for obsolete plants.

The earlier years were devoted to building soundly and to opening and expanding markets. Profits were reinvested in the business and the company became self-financing. Today, having passed the high price era of wartime grain markets and having prospered in spite of sugar prices at all-time lows, Corn Products Refining Co. has net tangible assets of 117 million dollars, 40% of which is working capital.

One of the tests applied to the financial condition of large corporations is the disposition of earned surplus and resources. In the present instance, we may conclude that the surplus of Corn Products Refining Co. has been wisely invested in the stocks and bonds of subsidiary and affiliated companies and its depreciation reserve in marketable securities. Having to face the contingency of possible inflation, this disposal of the equity capital is extremely desirable because the company has placed a large portion of its capital abroad, where it is highly profitable already, enabling the conservation of a large percentage of profits in gold (foreign exchange) while inflation continued. The investment of another large portion of the capital where it would presumably appreciate as the value of money declined warrants that much of it would be preserved. Over one-half of the net capital of this concern would be safe from inflation and another third is already invested in profitable real property.

For several years, Corn Products was looked upon by Wall Street as a quasi-investment trust because it carried over 30 million dollars, about one-third of its capital, in marketable securities. It was thought to have a large proportion of high grade railroad stocks and bonds and when this class of securities began to deteriorate, the market price of Corn Products was written down, too. The market value of these securities (as of December 31, 1933) was 67½ compared to par cost and the rate of return on the cost has been cut in half since 1929. Apparently some of the securities owned are in default, for there is an item of $200,000 for interest accrued. Nevertheless, most investors would be very pleased today if their stocks and bonds had depreciated only one-third since they purchased them several years ago!



When the income statements are analyzed, a better realization is had of the returns secured by good management. The income of Corn Products is sharply divided into profits from the company's own operations and from other income. Profits from operations have a very slow rate of increase, only about 3.33% annually, and fluctuate somewhat with industrial activity. The real growth of corporate profits is to be found in "other income," which tends to grow at a rate of about 15% compounded annually or, to put it another way, it tends to double in amount every five years. The explanation is that income from subsidiary and affiliated companies has become more and more important to this enterprise. In 1926, when it first reached more than a half-million dollars in amount, this item was only 5% of total income (before deductions); by 1929 it had risen to 12.4% and last year it was 19.4%—a four-fold increase in seven years. Furthermore, less than one-fourth of the estimated earnings accruing from this source last year had been received and carried to income by the parent company, so we may be sure this income, mostly from abroad, will be substantially greater during the current year. In the past seven years, other income (without deductions) has averaged $1.64 per share and was $1.61 last year, due partly to foreign exchange. Thus Corn Products is already a beneficiary of our depreciated dollar.

Since 1919, when dividends on the common stock were inaugurated, upwards of 155 million dollars have been earned by Corn Products Refining Co., of which about 95 million dollars were paid in dividends on the common stock. Since the payment of dividends started the owners of the equity have fared very well, yet the managers were able to keep reserves extremely liquid while they were investing the surplus where it has become very profitable and is now a hedge against inflation. Although aggregate profits grew slowly over a long time, dividends were being doubled in five years time until upwards of 75% of profits was being paid to the stockholders every year. Because annual profits fluctuate, a policy of paying a regular dividend ($3 a share since 1929) and extras when earned has been followed by this management.

The late E. T. Bedford, the first president of the company and its guiding spirit for over a quarter of a century, was once characterized as "the world's shrewdest merchant." Under his direction Corn Products Refining Co. rose phoenix-like from the ruins of expiring corn processing concerns to reach a commanding place in American industry. George M. Moffett, president, has been with the company since it was organized.

It is certain that very few corporations in this country were better prepared to cope with the problems of the depression and it is equally certain that only a few may be as well prepared to meet the uncertainties ahead. There has been a consistent improvement in the character of the company's assets. By eliminating intangibles, abandoning obsolete plants, and the investment of much capital abroad in the interests of trade, this concern is in an excellent position to escape the dissipation of its assets by inflation.

If we have placed great stress on management in connection with Corn Products Refining Co. it is because the part played by management is of such tremendous importance to investors and the work of management is quite likely to be of even more value to corporations in view of the uncertainties of the future. The problems of inflation are more of a financial nature than otherwise and corporate managements which have displayed great acumen in handling money should be sought for instead of being cast out as money changers.

Strongest of the Rail Giants

Outstanding in Management, Conservative Capitalization, Balanced Traffic and Impregnable Financial Resources

By PIERCE H. FULTON

WITH the improvement in earnings that began in April of last year and continued through January and February of this year, there has been a steadily increasing interest in railroad securities. Naturally the greatest improvement in earnings and in market quotations for rail stocks and bonds, has taken place in the case of the strongest roads—those that have come through the past four years and more in the best shape, physically and financially.

These roads are favorably located to get traffic when it is to be had. They have the physical facilities, in good condition, to handle it, and the money to meet all requirements without borrowing, and thereby increasing interest charges. They have a conservative and well-balanced capital structure and superior management.

In view of the extent to which traffic and earnings slumped before the improvement set in last spring, the fact that a railroad has been able to pay a good-sized dividend each year on its common stock since late in 1929, with something left over, may be taken as unmistakable evidence of that railroad's strong position in every respect. Only five railroads in the United States have been able to make that record. They are Union Pacific, Norfolk & Western, Chesapeake & Ohio, Bangor & Aroostook and Pennsylvania.

In many respects, Union Pacific is the outstanding carrier in this select group. Its preliminary report for 1933, recently issued, showed $7.92 a share earned for the common stock, against $7.49 in 1932, an increase of 43 cents. Dividends amounting to $6 a share were paid last year, leaving a surplus equivalent to $1.49 a share.

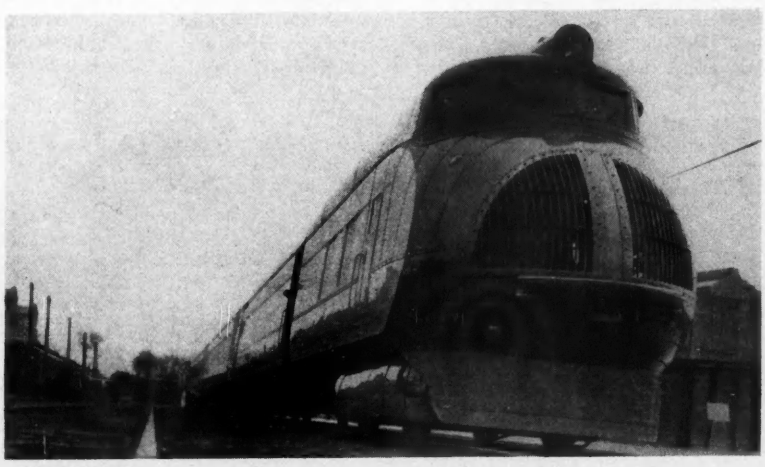
Investment in Other Roads

To many actual or prospective owners of Union Pacific common these few figures probably would seem sufficient data on which to base their opinions and transactions. They should not be. Everyone interested in this outstanding railroad should go more carefully into the results for last year and for a long period of years. All who will take the trouble to do this will find many interesting and important facts.

For the past 30 years much has been said, both for and against the investment by E. H. Harriman, years ago, of millions of dollars, belonging to Union Pacific stockholders, in the shares of other large railroads. The principal purchases were of New York Central, Chicago & North Western, Illinois Central and Baltimore & Ohio. In 1933 Union Pacific did not receive a single cent of return on any of these thousands of shares and in 1932 only a small amount on Baltimore & Ohio preferred. Last year it did receive $50,000 on its $100,000 shares of Pennsylvania bought following the sale of a like amount of New York Central.

But what do we find upon a more careful examination of the results for 1933 and the year immediately preceding? Without any return on the shares of the four big railroads that were bought by Mr. Harriman, the present Union Pacific management was able to report, "income from investments and other sources" of $18,049,087 for last year. This amount alone was sufficient to pay "fixed and other charges" of $15,218,019, with a balance of $2,831,068. Putting it another way, the income from investments was sufficient to pay the preferred dividend at the rate of $4 per share per year, requiring $3,981,724, and the common dividend of $6 a share, amounting to $13,337,550, and leave a balance of $729,813. Thus, Union Pacific, in 1933, could have paid either its "fixed and other charges," or dividends, out of investment income alone.

Although, when the big stock purchases made by the elder Harriman were paying good-sized dividends regularly, Union Pacific was often common stock since late in 1929,



Wide World Photo

Union Pacific's 110-mile-an-hour streamlined train

always has been and still is, primarily, a first-class railroad. That being so, the first place in which to look for net returns available for fixed charges and dividends is in the results from transportation operations.

For 1933 that item stood at $18,747,128, strikingly close to the figure for investment income return, the difference being only $698,041 in favor of transportation results. From that source alone Union Pacific realized enough to pay "fixed charges and other charges" and have a balance of $3,529,109. Net transportation results for 1933 were equal to the preferred and common dividend requirements with $1,047,850 left over. And so it appears that out of those results alone Union Pacific, last year, could have met either its interest charges or dividends without taking a cent from investment income, in fact, with a comfortable balance in each instance as shown.

This, roughly, is what Union Pacific accomplished in the way of earnings from transportation and from "income from investments and other sources" in 1933. For January of this year, the most recent period for which figures are available at this writing, Union Pacific reported an increase in operating revenues of $1,890,778, or 26.4% over January, 1933. A truly remarkable increase in railway operating income was likewise reported, namely, $889,190, or 143.8%. Detailed statements of traffic movements on the Union Pacific System are not available, but Carl R. Gray, president, frequently has stated in recent months that the improvement was general, rather than in a few commodities.

He says that the percentage of increase in operating revenues in February was nearly up to the 26.4% gain for January. Union Pacific will report a substantial net operating income for that month compared with a net operating deficit of nearly $80,000 for February, 1933. Loadings for March so far have held up well, receipts from connections being particularly gratifying.

It might be noted in passing that Union Pacific, as a gatherer of traffic and a maker of earnings, is in much the same position, in a general way, as Burlington, one of its principal competitors. Hale Holden, sometime after leaving the comparatively easy duties of president of that company to assume far more arduous ones on Southern Pacific than he could possibly have realized in advance, said to the writer, "The Burlington is a great old railroad. If there is any traffic available in its territory it gets it and has a wonderful way of rolling up earnings on that traffic."

The same may be said of Union Pacific. When the late Howard Elliott was chairman of Northern Pacific he often showed me confidential comparative statements of traffic movements and earnings of the leading railroads in the Northwest. They were, of course, with a view to illustrating the strong and weak features in the position of Northern Pacific. Regretfully he would call attention to the much larger number of cars of revenue freight received from connecting lines by Union Pacific than by any of its competitors. This, of course, was in addition to a full quota of cars originated and loaded on its own lines.

Background of Earnings.

This brief digression paves the way for calling attention to still other features of the position of Union Pacific, to which special attention should be given by all actual and prospective investors in its shares. To have realized the results that this system has shown since 1929, when conditions were distinctly unfavorable, there must have been several outstanding facts back of the earnings. Chiefly, they are favorable geographical location, conservative capitalization and competent management. Union Pacific unmistakably had all three of these requisites. Its principal lines extend from Omaha and Kansas City in the East, with direct connection from the former center to Chicago over the Chicago & North Western, of whose stock Union Pacific has been a large owner for many years, to Salt Lake City, Denver, Portland, Seattle and Los Angeles in the West Coast. Altogether about 10,000 miles of operated line make up the system.

Its freight traffic is widely diversified, Products of agriculture in 1932 (figures for 1933 are not available) contributed over 37% of the total freight moved. Conspicuous in that grouping were wheat and sugar beets, each with over 9%. Products of mines came second with 28.40% of the total, with bituminous coal alone contributing 17.64%. No other commodity in that classification supplied as much as 4%. Manufactures and miscellaneous freight ranked third with 21.53%.

Thus it is plain that first of all Union Pacific is an agricultural or "granger" railroad. Secondly, it transports a great amount of bituminous coal. In addition, a large number and variety of other commodities are handled, so that, with the exception of wheat and bituminous coal, if there is a falling off in one or more of them, the loss may be made up by others.

As to the second requirement for a strong and successful railroad — conservative capitalization—Union Pacific is able to qualify in a conspicuous way. The total funded debt on the entire system is only $355,000,000, on which fixed charges do not average much over 4% a year, making the total of that item, with "other charges," for 1933 only a little over $15,000,000.

Union Pacific got its real start as a strong railroad after E. H. Harriman acquired control more than 30 years ago, following a most thorough and comprehensive reorganization under the direction of Winslow S. Pierce, distinguished railroad counsel and reorganizer. Mr. Harriman poured millions into the property, to the consternation at times of the late Jacob H Schiff and of Otto H. Kahn, leading partners in the firm, recognized as the company's bankers, and who even then were accustomed to handling large sums of money.

In the intervening years Union Pacific has gained—and maintained—its position as an outstanding leader among the large railroad systems of the West. Balance sheet position is notably strong. The amounts for these items at the end of 1933 are not available, but on December 31, 1931, cash to-

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Selected Opportunities in Favored Industries

Five Promising Issues in Industries for Which Enlarged Profits Are Indicated

By The Magazine of Wall Street Staff

American Cyanamid "B"

PRICE 1934		
High	Low	Recent
20 5/8	15 1/8	18
Earnings	Dividend	Yield
.80	.25	1.4%

A FEW years ago, American Cyanamid Co. was a manufacturer of heavy low-priced chemicals using principally lime and nitrogen. The idea of extracting free nitrogen from the air and combining it with cheap lime by electricity appealed to the imagination of investors, particularly because the resulting product, cyanamid, was used by two of our largest industries, mining and farming—and they poured their good dollars into the company's coffers. In addition, a by-product of fertilizer making was the basis for important materials. Unfortunately, the depression came along and both mining and building suffered most severely, profits from fertilizer sales disappeared and for a while it seemed as if Cyanamid had lost all of its markets.

For three years, stockholders in this enterprise went without dividends and the market price of their shares sank to insignificance. Only a few weeks ago, however, American Cyanamid Co. paid the first dividend (25 cents a share) since 1930. Of course, there has been some revival of mining operations but building materials are still a drug on the market and fertilizers were sold last year at no profit. Nevertheless, Cyanamid earned more than three times as much in 1933 as it had in the previous two years or more.

In the meantime, various acquisitions of small independent chemical manufacturers, consolidation of producing units and new products placed on the market altered the entire outlook for this chemical enterprise. For American Cyanamid is now the third largest factor in dyes and has a position second to none in the field of molded plastics. Not content with altering its operations from low-priced heavy chemicals to high-priced specialized products, Cyanamid is completing one of the largest new industrial plants erected during the depression years.

This is the plant of Southern Alkali Corp., owned jointly with Pittsburgh Plate Glass Co. This subsidiary will manufacture soda alkalies from salt, pumped from underground and evaporated by burning natural gas fuel. A large glass plant will be erected nearby and will take a large part of the output, while petroleum refining and exports will absorb the balance.

Nearly $40,000,000 was subscribed by stockholders before the crash but writedowns and the abandonment of unprofitable properties left but $45,000,000 net capital. On the other hand, the company's present capital is ample, sufficient to permit the investment of $3,000,000 in Southern Alkali Corp. and still carry on its now profitable business. Ahead of the combined "A" (65,943 voting) and "B" (2,404,194 non-voting) common shares there is about $5,000,000 of subsidiary debt. In 1932, only 14 cents a share was earned but profits last year are expected to show about 80 cents a share. Although the present market price of American Cyanamid "B" is the lowest of all sound chemical stocks, the prospects are excellent and in the long run the returns should be larger.

Briggs Manufacturing Co.

PRICE 1934		
High	Low	Recent
18 1/8	12	16
Earned Per Share 1933	Dividend	Yield
0.60 (est.)	(See Text)	

THE spirited emergence of the automobile industry from the depths of depression was one of the industrial highlights of 1933. Although it is true that the greatest portion of the automobile business last year was shared by the leading manufacturers of low price cars, the entire industry entered the current year with high hopes and substantially increased production schedules. Total automobile production last year was just short of two million units and it seems safe to conclude that production will be further enlarged this year.

Manufacturers of automobile parts and accessories participated in the recovery of the automobile industry but whereas an actual improvement in earnings was shown by only a small group of motor car producers, the contrary was true in the case of leading accessory manufacturers and the recovery was much more general. It would seem logical to conclude in the light of this evidence, that the accessory group is affected more by total automobile pro-

duction than by the output of individual manufacturers. Multiple benefits, therefore, are likely to be gained by those accessory manufacturers fortunate enough to hold contracts with those companies which are in the van of the automobile industry.

Briggs, one of the leading manufacturers of automobile and truck bodies, has contracts to supply a substantial portion of the body requirements of Ford and Chrysler—particularly the Plymouth unit for the latter. Assuming that these contracts remain in force throughout the year, Briggs would seem assured of a large volume of business. This is important for it is probable that the actual profit per unit to Briggs on these contracts is small and a large volume would be required to produce a material gain in earnings.

In addition to various types of bodies, Briggs manufactures sheet metal stampings, gasoline tanks and various other items used in the manufacture of automobiles. As the automobile industry has become gradually concentrated in the hands of a few large manufacturers, there has been a tendency among accessory makers to broaden their activities to embrace other fields, seeking greater security through diversification. Doubtless this prompted Briggs to widen its output to include such items as electric refrigerator cabinets, plumbing fixtures and outdoor furniture constructed of steel. Primarily, however, the company remains closely identified with the automobile industry and, if its efforts in pioneering new streamline type of bodies are any criterion, it has no intention of abandoning this field for some time.

Past earnings of the company have shown considerable fluctuation. Peak earnings of $11,136,000 were registered in 1924, since when there has been a downward tendency. The best showing in more recent years was made in 1930 when net income was $4,244,476. In 1932, there was a deficit of about $1,800,000, after depreciation. The 1933 report is not available as this is written but it is probable that net income will be in the neighborhood of $1,000,000-$1,200,000, or the equivalent of from 50 to 60 cents per share on the 1,958,000 shares of capital stock outstanding. Early this year, a dividend of 25 cents was declared, the first since April, 1932. No indication was given as to whether this was to be a regular quarterly rate, but in view of the company's strong cash position and current prospects, regular payments would seem to be a well founded expectation.

Judged on the basis of last year's earnings, the shares can hardly be regarded as undervalued at 16. Viewed in the light of the current outlook, on the other hand, the promise of substantially better earnings is sufficient to lend the shares considerable speculative merit.

Best & Co.

PRICE 1934		
High	Low	Recent
33¾	26½	33
Earnings Yr. Ended 1/31/34	Dividend	Yield
$2.34	(See Text)	

EXTENSIVE surveys have disclosed in a rather convincing fashion that aggregate *unit* sales of retail merchandise, such as clothing, food, shoes, etc., do not vary roughly more than 10% between periods of general prosperity and depression. There is, however, a wide variation in the volume of *dollar* sales, accompanied by a correspondingly wide variation in profits—a condition which for the most part is obviously the result of the rise and fall in prices, both wholesale and retail. Declining prices inevitably spell inventory losses, drastic impairment of profit margins, and consumer resistance. On the other hand, these adverse factors are mitigated rapidly in a period of rising prices such as occurred during the past year. The experience of Best & Co., affords a striking illustration of the manner in which these conditions become effective.

The department store conducted by Best & Co., in New York City, although not one of the largest in point of size, ranks high among organizations in its field. The company differs from the average department store in that merchandise is limited to men's, women's and children's wearing apparel and adornments. Style and quality are stressed and the chief appeal for custom is made to people in the middle and higher income brackets. The company's main store, located in the heart of the Fifth Avenue shopping district, is augmented by various smaller units in a number of large suburban communities and popular resorts. Stocks carried in these stores are comparatively small but facilities are provided which enable customers to obtain promptly anything sold in the main store in New York.

The company dates its original existence from 1879 and was incorporated in its present form in 1924. In 1929 the common stock was split 2-for-1 and the resulting 300,000 shares outstanding, together with less than 2,000 shares of preferred stock and a mortgage for $950,000, comprise the total capitalization at the present time. In each fiscal period ended January 31, from 1925 to 1934 inclusive, the company has shown a profit on its common stock, with the per-share results ranging from a high of $4.20 in 1930 to a low of $1.05 in 1933. The average for the ten-year period amounted to $2.86 per share annually. Subsequent to the stock split-up in 1929, dividends were paid on the common stock at the rate of $2 annually until June, 1932, when payments were omitted. Dividends were again resumed last October when 25 cents was paid and a similar payment was again made in February. While the shares have not been officially placed on a $1 dividend basis, directors have announced their intention of considering regular quarterly payments at the meeting scheduled for April.

For the fiscal period ended January 31, 1931, sales reached the highest level in the company's history, for a total of $15,097,735. While sales in that year reflected the opening of several new suburban units, earnings of $4.15 a share were moderately lower than the previous year due to the company's policy of entirely financing new units out of earnings. From their peak, sales dropped to a low of $11,131,204 in the January, 1933, period—a decline of over 25%. In the same period, however, net income declined nearly 75%, due in some part to continued expenditures for new units, but largely to declining prices and inevitable inventory losses. Contrast this with the showing for the latest fiscal period, January 31, 1934. Sales increased only moderately to $11,207,839 but net income gained over 120% to $2.33 a share for the common stock.

While it is not likely that the same rate of recovery will continue in the current year, it is also unlikely that the company will be troubled by inventory losses. Moreover, in view of the company's earnings record under normal

conditions, earnings of $3 a share this year would not seem a difficult achievement. The addition of several new suburban stores planned for this year should further augment sales and earnings and, all in all, the shares at prevailing levels appear quite reasonably quoted in relation to earnings and current prospects.

McKeesport Tin Plate Co.

PRICE 1934		
High	Low	Recent
94¼	84	88
Earned Per Share 1933	Dividend $	Yield %
$6.29	4	4.5

THROUGHOUT the depression the demand for tin plate was maintained very much better than the demand in other divisions of the steel industry. Moreover, while the price of tin plate has varied within quite considerable limits, it never experienced fluctuations such as occurred in commodity prices as a whole. With this background, it is hardly surprising that the showing made by the McKeesport Tin Plate Co. in recent years has been good, especially when one considers that the company has a dependable outlets for some 25% of its tin plate output by virtue of its control of Metal Package Corp., the third largest maker of cans in the country.

For last year, the McKeesport Tin Plate Co. reported a net profit, including some $638,000 as the company's share of the earnings of Metal Package, of $1,888,416 after all charges and usual deductions. This was equivalent to $6.29 a common share and compared with $5.01 in 1932, $6.51 in 1931 and $8.34 in 1930. The latest earnings covered the regular $4 dividend with ample margin to spare and it would seem that the company might soon be in a position to distribute a substantial extra.

Capitalization is most simple. It consists solely of 300,000 shares of common stock of no-par value. At the end of last year, financial position was strong. Current assets, including more than $2,500,000 in cash, amounted to $6,216,626, while current liabilities totalled only $1,064,788.

In appraising the outlook for McKeesport Tin Plate there are the customary two principal factors to be considered: (1) Demand, (2) Price. Basically, the demand side appears to be very hopeful. New commodities are being packed in cans every day and there are no signs of a let-up in the movement. In addition to the standard use of packing fruits, vegetables, meat and fish, cans are in demand for packaging paints, varnishes, drugs, tobacco, coffee, oil and a myriad other things. On the other hand, it might be noted that the two big container manufacturing companies, American Can and Continental Can, greatly increased their inventories last year. While this was probably in anticipation of an increase in their business, and possibly in anticipation of a further rise in tin plate prices, it is only valid to recognize that should their business fail to register the strides that are a reasonable expectation, the demand for tin plate temporarily might be rather sharply curtailed as large inventories were worked off.

The price element in the outlook for McKeesport also appears to hold no grounds for any alarm. The company's product has never been subject to the ruthless price-cutting seen elsewhere. A price revision is followed by all the factors in the field and except for a few months in the later part of 1932 and the beginning of 1933, quotations have been kept very firmly in hand indeed. Currently, the price of tin plate is $5.25 a base box of approximately 100 pounds. This is the boom time level and, although consideration must be given to the higher price of tin and higher labor costs, it does not appear that the recent increases in quotations have failed to fully offset these higher costs.

Despite the fact that competition in tin plate may possibly become somewhat keener as new interests enter a field which has proved so profitable, a unit as successfully established as the McKeesport Tin Plate Co. should be able to maintain its share of a growing business—continuing to reward stockholders as in the past.

Sun Oil Co.

PRICE 1934		
High	Low	Recent
61½	51½	58
Earned Per Share 1933	Dividend	Yield
$4.04	$1 + Stk. ext.	1.7%

ALTHOUGH not one of the largest of the units in the petroleum field, Sun Oil is a well-known, old-established and completely integrated business. Its activities include production, refining, transportation and marketing of oil and its derivatives. A degree of diversification is attained through 100% ownership of the Sun Shipbuilding & Drydock Co., and an interest in sulphur production. Also, Sun does a large export business, principally in lubricants.

The company's earning record over the years has been quite remarkable. Not even the depression caused it to report a deficit—a showing in marked contrast that of the industry as a whole. For last year, the Sun Oil Co. reported net income of $6,971,844 after depreciation, amortization, interest, depletion and Federal taxes. This, after dividends on the preferred, was equivalent to $4.04 a common share. In 1932 the company earned $2.35 and in 1931 $1.63 a common share.

Dividend policy is somewhat unusual. A cash payment of $1 per share per annum is made and then in December of each year it is the company's policy to distribute a stock dividend approximately for earnings in excess of the cash payment. On the present no-par stock, this has worked out as follows:—In 1925, 3% in stock was distributed, in 1926, 6%, in 1927, 3%, in 1928, 6%, in 1929 and 1930, 9%, in 1931 nothing, while in December of last year another 9% payment was made. The purpose of the stock dividends is to conserve for the company cash for expansion, and at the same time avoid any hazards that possibly might result should bond financing be carried out freely.

The capitalization of the Sun Oil Co. consists of $10,000,000 in 6% cumulative preferred stock of $100 par value and 1,733,013 shares of common stock of no-par value. Funded debt at the end of last year amounted to $10,541,000. Of this, some $3,000,-

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Bank Stocks Face Brighter Recovery Prospects

Large Write-Offs Improve Outlook for Many

By Francis Edmonds

SHAREHOLDERS of leading New York banks in common with the banks of Chicago, Boston, Philadelphia, and other large cities are facing happier days. This condition, not yet adequately reflected in bank share prices because not yet fully understood by the public, is attributable to several factors. First, the Administration, after several weeks of solicitation by the banks, has agreed to extend for another year, or until July 1, 1935, the temporary deposit insurance plan with its finite liability which went into effect January 1 and which was to have been superseded by the government plan, with its obnoxious unlimited liability, July 1, 1934. Second, the rise in prices of many securities to levels above last July has enabled most important banks to make substantial recoveries on under-collateraled loans which had been previously written down or written off. Third, the Government's spending spree is now having some effect upon private industry and credit and this improved business activity has sufficed to shift to the "good" column many doubtful or bad commercial loans, which also had been reserved against. Fourth, bank deposits are trending upward, not alone through the pyramiding of government deposits through continuous overborrowing by the Treasury, but through expansion of private deposits created by rapid drafts upon the government deposits in the form of loans and payments for public works and relief.

Four Favorable Factors

1. ***Temporary deposit guarantee plan extended in lieu of permanent insurance.***
2. ***Higher security markets improve under-collateraled loans.***
3. ***Rising business activity is bettering position of doubtful commercial loans.***
4. ***Deposits are gaining.***

Deposit Issurance Works Out

The bank deposit insurance scheme, about which so much fright was created last December, to date has worked out exactly as expected by those saner minds who cautioned bank shareholders to keep upon their backs an important article of apparel. It was then pointed out that liability of banks for the safety of their neighbors' and competitors' deposits, inequitable and unfair as the whole principle was, was slight under the temporary plan (one-half of 1% of deposits of which one-quarter of 1% has been paid in) and, since banks needing additional capital had been well bulwarked by R F C purchases of their capital notes or preferred stock, the chance that the contingent insurance liability would be transformed into an actual or current one, through failure of insured banks, was not an early possibility.

As forecast, the Federal Deposit Insurance Corp. has become nothing more than a huge government securities investment trust; its fund is intact for not a single insured bank has closed since January 1. Since the fund has suffered no impairment, no additional assessment will be required through extension of the temporary insurance plan, though a slight adjustment in the amounts previously paid into the fund by the banks will be necessary because of the rise which has occurred in bank deposits. Such an adjustment will be too small to be an influence upon the market.

It would be unsafe to look upon the one year promised respite from the unlimited liability of the permanent scheme as an implied remission of the sentence of the overhanging sword, but even a pessimist can see that the temporary insurance plan, now covering balances of $2,500 or less, gives protection to 97% of all bank depositors and leaves only the wealthy without "protection." Even a pessimist can see that this argument, which apparently carries such weight with the Administration, applies with equal strength also to the proposal eventually completely to eliminate the permanent plan. The Government is not yet willing to commit itself to elimination of the permanent deposit insurance but one finds it difficult to imagine that any great zeal will be displayed in the cause of protection of wealthy bank depositors who don't need it.

Recoveries on Loans

Turning now to the second factor, recoveries on poor or undermargined loans, it should be emphasized that the effect upon bank earnings is potent. Recoveries are not usually carried to surplus and profits until the loans from which they are derived are closed out and the collateral jettisoned. These realized recoveries, it is interesting to note, may be used to pay dividends or amortization on national bank preferred stock issues sold to the R F C. No doubt hopes of national bank chairmen, recently expressed, of redeeming entirely their banks' senior R F C obligations within three years, thereby cutting from 5% to 4% the annual cost of such capital, are predicated partly upon the expectation of such recoveries. As to unrealized recoveries, it is obvious that these provide a swelling cushion against the unforeseen and tend to preclude further substantial whittling away of what remains of surplus and profits accounts. In turn this influence, coupled with

reasonably good current earnings derived from the employment of a larger volume of resources at an abnormally low rate of interest, suggests greater permanence of current dividends and may, later on, make possible extra dividends to compensate shareholders for some of the sacrifices they have undergone during four long and meager years. Already the improved position of the loans and investments of the average metropolitan bank has toned down the demands of the bank examiner for better and bigger reserves. With less to fear from examiners and confronted with the ever-increasing problem of employing in some manner growing excess reserves, the average bank is more keenly seeking business. By the end of this year commercial loans, one of the most profitable phases of banking, should be increasing. The tendency now is toward credit leniency. The singed cat will venture closer to the fire after its hair has been restored. The effects of the pressure of huge unemployed funds (excess reserves) should not be minimized. More than ever before the banks are seeking out reasonably safe lending and investment projects. The New York banks have just demonstrated dramatically this initiative by seizing the opportunity presented in February for profiting extensively through their foreign departments by gold import operations which brought in $500,000,000 gold from a dozen foreign countries in a period of thirty days. Low rates of interest are as profitable as are high rates under certain circumstances; for instance, if the volume of employable funds is as large as rates are low.

Lure of the Large Chargeoffs

It would be rash to say that stocks of representative New York banks have regained their investment status for that would imply that they had lost it. If any stocks have maintained an investment standing under the New Deal the shares of banks are properly listed in that classification. It remains only for the investor to decide which of them to buy.

Paradoxical as it may appear, in an era which the country seems to be entering, the most promising bank stocks from the standpoint of price appreciation appear to be those of banks which have had the largest aggregate chargeoffs during the past four years. Such stocks, with some conspicuous exceptions, should enjoy the largest recoveries from previously written down assets, and the speculative anticipations of such recoveries cannot help but be an influence upon their price.

Large Chargeoffs

It requires no perspicuity to see that among New York banks, Chase National and National City stand at the head of the list in magnitude of their chargeoffs. Because of the mergers in which these banks have engaged it is not possible to calculate their position relative to that of the eleven institutions included in the accompanying table.

Manufacturers Trust and Manhattan Co. also should be mentioned as banks which have had unusually large reductions in capital funds, though because of the mergers in which they have engaged and the readjustment of subsidiaries, in the case of Manhattan Co., exact amounts of losses or reserves are impossible to calculate with accuracy. Magnitude of chargeoffs of course is alone no indicator of assured potential value; the charged off assets cannot yield a recovery, for instance, if as in the case of the First National Bank they have been largely disposed of.

Due consideration also should be given to the character of chargeoffs; here it is impossible for the shareholder to arrive at any definite conclusions without an intimate acquaintance with the management. Chargeoffs should also be considered in proportion to total capital; large ratios usually reflect conservatism, but of course they can reflect upon management.

Non-recurring Profits

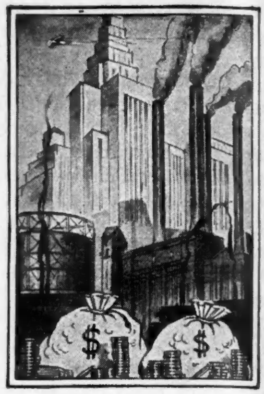
Average annual earning power in relation to dividends paid during the past four depression years is a most important guide to future market appreciation possibilities, for current earnings still guide market prices. They alone are continuing sources of dividends for while recoveries on account of writedowns for several years may swell aggregate earnings, each individual recovery is in the nature of a non-recurring profit.

The accompanying table dealing with prominent New York City institutions in which there is widespread market interest will convey some idea of the magnitude of chargeoffs and writedowns carried to reserves during the past four years by banks for which it is possible to figure with some degree of accuracy because their statements do not show changes incident to mergers. Seven of these banks in the depression years charged off from surplus and undivided profits amounts in excess of their entire share capital. In the case of the Empire the table takes into account the recent reduction in capital through which $3,000,000 capital and $350,000 surplus and profits were added to the already large previous total of reserves. In connection with 1934 markdowns of capital, particularly in the case of Chase and National City, it may be observed that the entire capital released by such changes has been carried to hidden reserves from which there will be large recoveries in due course.

Some Comparisons Among New York Banks

Capital	Par	Bank	Estimated Chargeoffs 1930-33 Inclusive	Per Share	Dividends Paid 1930-33	Agg. Per Share 4 Years	Before Charges Yearly Average Earned Per Share
$6,000,000	100	Bank of N. Y. & Trust	6,440,000	107.33	4,020,000	67.00	24.62
25,000,000	10	Bankers Trust	32,550,000	13.02	30,000,000	12.00	4.00
21,000,000	20	Central Hanover	36,000,000	34.28	29,400,000	28.00	10.13
20,000,000	10	Chemical	7,000,000	3.50	14,130,000	7.06	3.08
7,000,000	100	Commercial National	4,300,000	61.40	1,820,000	26.00	17.06
15,000,000	20	Corn Exchange	20,455,400	27.27	11,002,500	14.66	4.36
3,000,000	10	Empire Trust	9,100,000	30.33	2,730,000	9.10	3.15
10,000,000	100	First National	43,133,250	431.33	42,500,000	425.00	136.38
90,000,000	100	Guaranty Trust	42,500,000	47.22	72,000,000	80.00	24.96
50,000,000	10	Irving Trust	32,850,000	6.57	29,000,000	5.80	1.78
12,500,000	20	N. Y. Trust Co	23,710,000	37.93	10,000,000	16.00	10.24

For Profit and Income



Easy Money Grows Still Easier

Currently, three-month Treasury Bills are selling to yield 1/5%, six-month Bills around 1/3%, and one-year Notes about ¾%. Acceptance rates are equivalent to the lowest ever recorded, call money outside the Stock Exchange is freely offered at ¾%, while gilt-edged corporate bonds, even though they be long-term, can hardly be discovered to yield as much as 4%. Moreover, from present indications, money may well become still easier. With this background, ideas of how much a good, sound common stock ought to yield should be revised downward. No longer can one reasonably expect an assured dividend of 7% or 8%. It is impossible, of course, to state definitely what a common stock should return. Perhaps a 4% current return, being earned with a 25% margin, and provided the company's prospects are fairly good, might be considered a reasonable standard. If it is, a number of stocks thought to be excessively high by old methods of appraisal do not appear to be so very dear after all.

* * *

Nickel's Prospects Brighter

On the first of this month, stockholders of the International Nickel Co. of Canada, Ltd., received a dividend of 10 cents a share. While this was not a great deal and hardly provides a reasonable return on a stock selling at $27 a share, nevertheless it was concrete evidence of the betterment experienced by the company. It was the first dividend paid since the 5 cents a share at the end of 1931. Nickel's report for the full year 1933 is not yet available. If, however, the last quarter of the year were equal to the third—perhaps a slightly optimistic assumption—the year's earnings would aggregate around 50 cents a common share. Though the stock at current prices quite obviously discounts earnings far ahead, both the near and long term prospects for a gain in earning power are favorable—the former because of continued improvement in business conditions here and abroad, and the latter because the utilization of nickel alloys is widening constantly.

* * *

Bright Spots in Retail Trade

February sales reports disclose no visible slackening in the volume of retail trade and comparisons with the results of a year ago make a most impressive showing. Moreover, the gains are not being confined to any particular branch of the retail business but are being registered by grocery and dry goods chains, department stores and mail order concerns alike. The sales report of Montgomery Ward for February featured a gain of more than 52% over February of last year; J. C. Penney reported a gain of nearly 39%. Of the specialty chains, Woolworth reported a gain of better than 9%, as did S. S. Kresge, while sales of S. H. Kress were up more than 30%. The gain for Kroger Grocery was about 12½%. Department stores sales in New York were from 11% to 15% ahead of last February and the results in other sections of the country showed gains as high as 25%. Higher prices undoubtedly account for some part of these gains but increased confidence, less unemployment and larger payrolls have contributed to no small degree.

* * *

An Attractive Preferred

The affairs of Glidden Co. are definitely on the mend and with the assurance which adequate earnings provide, the company's 7% preferred shares invite favorable consideration. There are only 65,000 shares of the issue outstanding and under normal conditions the company is well able to meet the comparatively modest dividend requirements. In the fiscal period ended October 31, last, earnings available for preferred dividends were sufficient to meet requirements well over three times and in the initial quarter of the current fiscal year earnings were equal to $3.75 on the preferred—50% of the total annual dividend. While earnings during the depression years were not as impressive as those of more recent date, any apprehension as to the security of preferred payments would have been allayed by the company's ability to consistently maintain a strong financial position. The shares have been recently quoted around 96-98, at which levels they afford a yield in excess of 7%.

* * *

Business Equipment Does Better

The years of depression had the same effect upon the office equipment industry as it had upon the automobile industry—the public clung tenaciously to worn-out and obsolete machines. As soon as general conditions improved, however, the potential demand as a result of deferred replacements became an actual demand. That this had a beneficial effect upon earnings was, of course, natural. Burroughs Adding Machine reported earnings of 26 cents a common share for last year, compared with 13 cents for 1932; Underwood-Elliot-Fisher showed $1.29 compared with an operating loss; while Remington Rand for nine months ended December, last, reported something earned on its preferred, against a large loss in the corresponding previous period. Moreover, it has been estimated that for this last company the first quarter of 1934 will be the best in two years. Prospects for the business equipments are favorable. Domestically, general business continues to make gains and it is a reasonable assumption that the replacement demand for business equipment will continue to follow.

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Taking the Pulse of Business

—Steel Operations Expand

—New High for Silver

—Oil Under Control

—Rail Earnings Improve

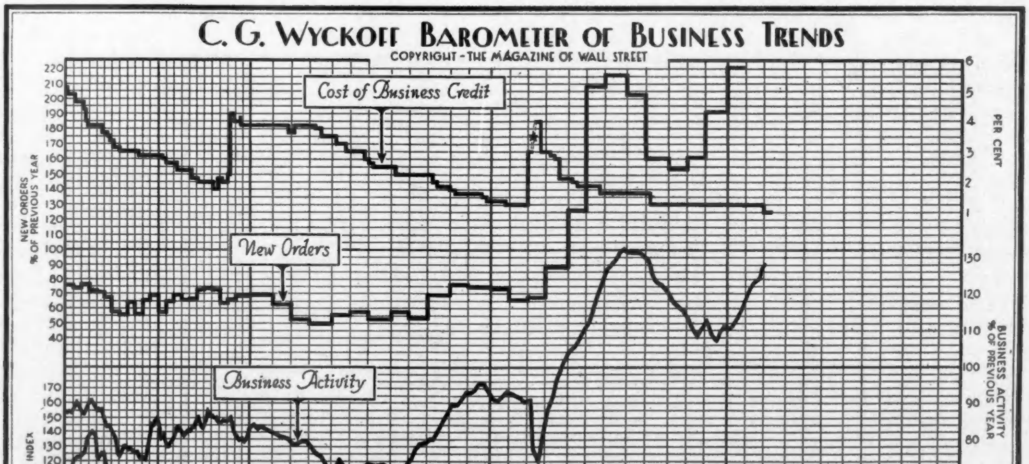
—Cigarette Sales Higher

THOUGH the country is still immersed in a major business depression, improvement during the past year has been extremely gratifying as one looks back to the chaotic conditions which obtained during the first fortnight of President Roosevelt's Administration when financial activities were at a complete standstill. The physical volume of production, distribution and trade is nearly 28% greater than a year ago, New Orders reaching the plants of our heavy industries have more than doubled, average prices commanded by staple commodities have improved by more than 80%, wholesale prices are up 23%, while the cost of living has risen less than 6%. Meanwhile, half of the 13.7 million people who were out of work while the banks were closed have found employment, either in Government sponsored work or otherwise, and the country's annual payrolls have expanded by 3.6 billions, or 15%. Our Common Stock Index is three times as high as a year ago, and bonds are up 30% on an average.

The latest point just entered on our New Orders graph registers another sharp increase and raises this index above the high level of last July. There has been a sharp spurt in inquiries for locomotives since our last issue. Building contracts appear to be receding with completion of arrangements for the Government's construction program; but a tapering off is reported in the rate of increase in office vacancies throughout the country.

Merchandising activities in most lines since the first of the year have made a remarkably good showing as compared with last year. Life insurance written in January was 8.3% ahead of January, 1933; general merchandise sales in small towns and rural communities were up 40%; while chain store sales improved 14.2% in dollar volume. On a per store basis, chain store sales in January showed an average gain of 17.2% over last year, owing to abandonment of unprofitable outlets. This weeding out process has been especially drastic among the shoe chains which discontinued 30% of their stores during the past year. Drug chains closed 22.5% of their units. There was an increase, however, of 15.6% in the number of candy stores under chain management. Department store sales were handicapped throughout large sections of the country during the first half of February by unusually severe storms and by the holidays, and are beginning to feel the lessened purchasing power of the public occasioned by the laying off of C W A workers. Sales in the New York metropolitan area were 15% ahead of last year in dollar volume, but probably 10% under last year in physical volume. Spring orders for dry goods booked by wholesalers are up 75% to 100% from a year ago.

The Business Activity index has advanced about four points since our last issue. This improvement, however, was not quite large enough to offset last year's sharp slump; so that average activity, expressed in terms of normal, has slipped back to a point about 3.5% below the high of last July. Our Raw Material Price index has also reacted moderately.



Financial developments continue to be favorable. Receipts of nearly $500,000,000 in gold since the dollar was devalued on January 31 have brought member bank reserves up to well above the billion mark, and the pressure of idle funds has forced the Cost of Business Credit down to the lowest level on record. Failure of security markets to make further progress at this time under the stimulus of falling interest rates and rising business activity appears to be partly attributable to the disturbing character of legislation now under consideration, partly to brewing labor trouble, and partly to the absence of indications that private capital will venture to take over the financing of industry by the time Government construction activities reach their peak early this summer.

The Trend of Major Industries

STEEL—Steel mill operations have risen to around 50% of capacity compared with only 15% a year ago during the national banking holidays. At centres such as Detroit, Cleveland, and Wheeling, where plants specialize in automobile steel, the general rate is about 80%, though at least one of the smaller companies is reported to be working at capacity and turning away business for delivery during the current quarter. It is estimated that automobile, fabricated structural, and railroad steel account for about 20 points of the present 50% rate, leaving 30% for all other steel, which is not far below the miscellaneous tonnage taken in an average prosperous year. The possibilities are thus good for the development of a large demand for steel to meet deferred replacements and repairs, with any return to an area of self financed prosperity.

METALS—The chief feature in markets for non-ferrous metals since our last issue has been an advance in silver futures to the highest price recorded since November of 1929, spurred by continued rumors that the Government may do something more for the white metal. Domestic demand for copper remains slow at 8 cents; but sales for export are being closed at prices ranging from 8⅛ to 8⅜, delivered at European ports. Other prices show but little change. World zinc production in January was about a third greater than a year ago; but domestic stocks of the metal are off 13%. Domestic lead output was 40% greater than during January of 1933, and stocks are up 12% in a year.

PETROLEUM—Much satisfaction has been expressed over action of the Texas Railroad Commission in maintaining its daily allowable of 926,000 barrels in face of the adverse decision against the Government by a Federal court in that state, and in view of the approaching season of rising demand for gasoline. New laws passed recently by the Texas legislature are expected to make it less difficult to enforce proration in this prolific area, and it is noteworthy that crude output in Texas during the past fortnight averaged only 931,000 barrels daily, or 17,000 barrels under the new Federal allowable of 948,000. Production in California, Oklahoma, and other states was also under control; so that the country's output during the past fortnight fell 78,000 barrels daily below the enlarged Federal quota of 2,283,000 barrels.

RAILROADS—For the month of January, Class I roads enjoyed an increase of 13% in gross revenues and an increase of 120% in net operating income over January of 1933. Improvement in gross should be even more marked during February and March, owing to sharp gains in heavy freight traffic in steel, ore, timber, coal, and automobiles.

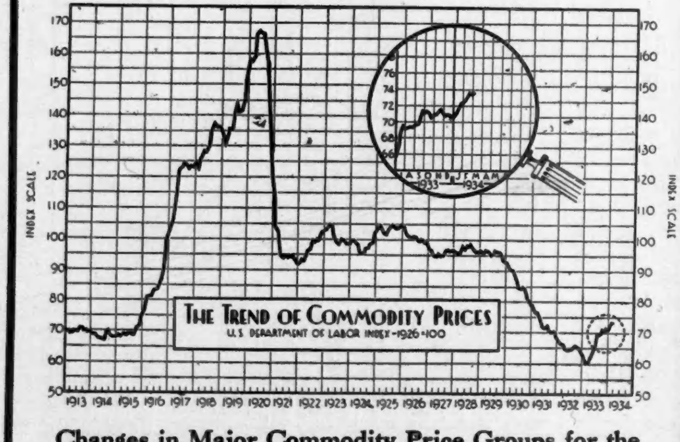
SUGAR—World sugar production during the crop year ended August 31, is estimated at 25,700,000 long tons, an increase of 1,000,000 tons over the 1933 crop year. Consumption should approximate 26,600,000, an increase of 400,000 tons. A decrease of 900,000 tons in world stocks, to 10,580,000, is thus expected. This would compare with peak stocks of 12,953,000 three years earlier.

TOBACCO—Attributable largely to the spurt in demand for ten-centers following price advances on the two-for-25 cents brands, cigarette withdrawals in January jumped to 11,483,000,000, the biggest January figure on record, and 33% greater than for the previous January.

FERTILIZERS—For the season to date, plant food sales to the ten leading Southern states are 100% ahead of last year's sales for the corresponding period. This reflects, of course, the increased purchasing power of the Southern farmers resulting from higher cotton prices. It is likely also that the Government's program of acreage reduction will lead to more intensive cultivation and the greater use of fertilizer.

Conclusion

In face of the lowest Cost of Business Credit ever known in this country, and in spite of a rising volume of production, distribution and trade which makes an unusually favorable comparison with conditions obtaining a year ago when all banks and speculative markets were closed, it is noteworthy that prices for stocks, bonds and staple commodities have failed to make headway during the past few weeks. Superficially this indifference to cheerful business reports may be accounted for by labor unrest and political thrusts at big profits and high salaries. Of deeper significance, however, is the recently published estimate that the P W A will reach the peak of its activities in the late spring or early summer. The public is therefore asking: "What next? Inflation, or another recession in business activity?"

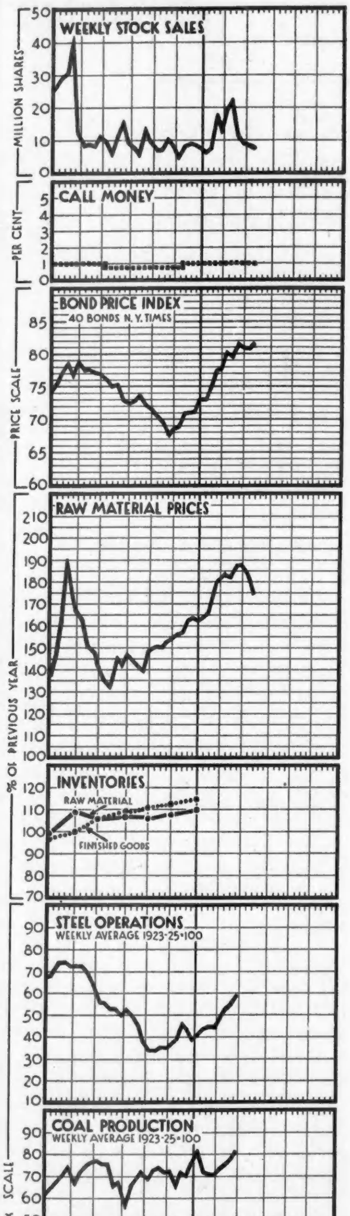


Changes in Major Commodity Price Groups for the Fortnight Ended March 3, 1934

Farm products	down 0.1	Metals	up 0.1
Foods	up 0.1	Building materials	down 0.2
Hides and leather	down 0.6	Chemicals	no change
Textiles	no change	Housefurnishings	up 0.4
Fuel and lighting	down 0.3	Miscellaneous	no change

The Magazine of Wall Street's Indicators

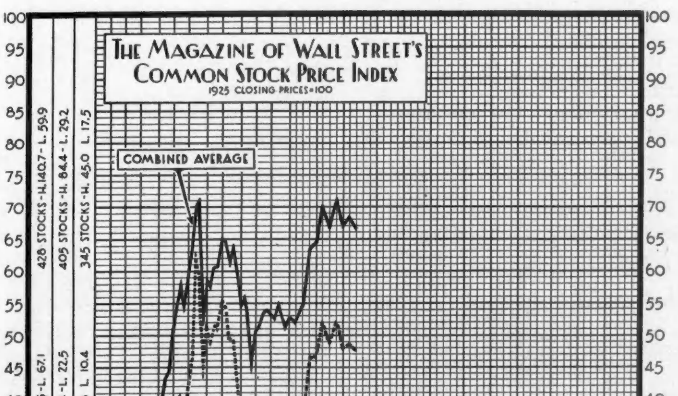
Business Indexes



Common Stock Price Index

1933 Indexes High	1933 Indexes Low	1933 Indexes Close	Number of Issues		1934 Indexes High	1934 Indexes Low	Feb. 24	Mar. 3	Mar. 10
71.3	22.7	52.9	312	COMBINED AVERAGE (1925 Close—100)	71.2	51.9	66.8	68.3	66.5
116.0	26.8	68.6	5	Agricultural Implements	105.7	64.8	92.6	95.4	92.8
37.8	7.3	27.1	5	Amusements	42.3	25.7	36.8	41.8	39.6
50.9	12.4	41.3	14	Automobile Accessories	58.9	39.6	55.8	58.0	55.2
22.7	7.3	18.0	13	Automobiles	24.9	18.0	24.2	24.6	23.5
102.9	41.8	61.6	5	Aviation (1927 Cl.—100)	92.5	61.6	81.0	78.1	74.7
26.5	5.1	12.2	4	Baking (1926 Cl.—100)	17.4	12.0	16.0	16.0	15.5
157.5	79.9	145.6	2	Biscuit	150.0	130.5	130.5	138.5	132.8
357.1	86.8	207.0	3	Bot. & Cks. ('32 Cl.—100)	240.9	198.2	221.1	223.1	218.3
128.8	39.8	107.6	5	Business Machines	136.0	102.0	133.3	134.3	133.0
191.1	92.9	189.1	2	Cans	204.3	184.5	195.8	198.4	193.4
238.2	71.5	193.6	8	Chemicals	210.5	186.3	190.3	193.0	186.3
34.8	11.2	28.0	16	Construction	37.2	27.0	33.7	34.3	33.0
81.0	20.3	54.9	6	Copper	70.1	53.1	62.8	64.1	64.6
47.7	23.0	25.7	2	Dairy Products	33.9	25.7	30.2	31.7	31.3
27.3	6.6	19.6	8	Department Stores	26.8	19.3	24.9	24.6	24.7
89.0	45.3	57.0	9	Drugs & Toilet Articles	84.0	57.0	77.6	79.1	78.1
104.0	35.6	75.4	4	Electric Apparatus	91.3	73.2	82.3	85.1	81.4
104.6	33.2	103.8	2	Finance Companies	162.3	103.8	150.5	162.3h	162.3
75.2	32.6	52.0	5	Food Brands	64.0	51.1	60.5	60.4	58.1
77.5	40.5	58.6	4	Food Stores	69.3	57.2	66.8	66.7	65.2
1365.0	481.2	1180.8	3	Gold Mining	1221.0	1125.0	1128.0	1160.0	1221.0
30.3	10.5	26.0	5	Household Equipment	34.5	25.1	32.4	34.2	34.5h
38.0	14.5	23.1	6	Investment Trusts	31.8	22.2	28.5	29.1	28.2
360.0	85.0	244.6	2	Liquor (1932 Cl.—100)	278.3	232.0	246.1	258.7	256.3
47.4	13.5	39.4	2	Mail Order	53.4	37.7	48.9	50.7	50.5
120.3	21.9	57.2	3	Meat Packing	86.3	57.2	76.3	79.8	74.4
136.4	30.1	132.6	11	Metal Mining & Smelting	160.1	126.6	147.0	152.5	160.1h
83.4	29.3	66.0	25	Petroleum	86.8	66.0	81.8	82.4	78.7
30.2	6.7	15.3	3	Phonos. & Radio (1927-100)	24.5	15.2	22.5	24.5	23.2
104.0	40.8	49.0	20	Public Utilities	72.8	47.2	65.0	66.4	63.6
69.4	17.7	53.4	8	Railroad Equipment	66.2	51.8	62.4	64.5	61.8
63.0	16.3	34.5	30	Railroads	52.0	34.0	47.9	48.5	47.7
44.3	6.2	30.0	3	Shipbuilding	50.2	29.4	44.3	47.3	46.5
148.6	57.8	126.7	2	Soft Drinks (1926 Cl.-100)	135.8	123.0	131.8	132.7	131.8
69.1	19.1	51.8	11	Steel & Iron	77.0	51.6	71.1	72.1	69.4
29.5	7.3	21.3	5	Sugar	30.8	20.5	27.1	26.7	25.5
216.5	79.3	200.8	2	Sulphur	214.0	191.4	202.8	202.3	193.2
82.3	28.1	61.4	3	Telephone & Telegraph	70.3	61.4	65.5	64.4	63.5
82.2	22.5	49.1	8	Textiles	65.8	48.8	63.7	63.9	62.2
15.1	3.0	11.0	5	Tires & Rubber	14.6	10.4	13.5	13.9	14.4
90.2	46.2	69.4	4	Tobacco	77.6	66.5	72.0	71.7	69.5
57.2	22.3	57.2	3	Traction	57.2	47.6	48.7	49.9	47.6
52.9	23.3	43.6	3	Variety Stores	104.6	43.6	93.2	104.6h	100.4

h—New High since 1931.



(An unweighted index of weekly closing prices; compensated for stock dividen's, splitups, and rights; and covering about 90% of the volume of transactions in all Common Stocks listed on the New York Stock Exchange.)

READERS' FORUM

The Readers' Forum is intended exclusively to serve in the discussion of problems of general investment interest. It welcomes free expression of opinion. The services of this department also are available for answering investment questions of general interests excluding inquiries regarding the position or prospects of individual securities.

As Our Readers See It

Stock Market Regulation—A Democrat Cusses Democratic Politicians — Temporary Benefit

Editor, READERS' FORUM:

I am wondering what effect the threatened stock market legislation is going to have on investment and legitimate speculation. They want to hamstring the stock markets and fix the utilities so that they will be at the mercy of the political commissions, leaving them no right to appeal to the courts for protection. They are continually trying to make things harder for business and for the individual who, by self-denial, has succeeded in putting by some savings for a rainy day. For instance, the moderately successful corporation is taxed forty ways from Sunday; and if it succeeds in saving anything for the stockholder and passes same out to him the Government comes along and chisels part of that away. A fine government the U. S. has become! It penalizes industry, efficiency, economy and thrift, while paying a premium on the opposite of these virtues.—J. P. L., *Palestine, Tex.*

* * *

Go Ahead and Cuss!

Editor, READERS' FORUM:

I am pleased to note that in your editorial columns you are taking note of the orgy of government spending and who will pay the piper. It seems to me that the "free press," like many individuals and business men, is cowed to silence. Yesterday I talked to a substantial business man who is here on vacation. We stood watching a group of C W A employees at quitting time and listening to their conversation. Some were talking about the dogs they were going to bet on that night at the dog races. One fellow was talking about his winnings in a crap game of the night before. Another was talking about a boat he had just bought for $75. There were nine automobiles lined up at the curb, into which almost all of this crowd piled and drove away. They had been working (?) on a municipal recreation pier. The business man with me exploded and told of money being wasted on C W A jobs up his way and of how some of his own employees, to whom he was paying N R A wages, had quit and gone on the C W A jobs. I am a Democrat—or was. All the Senators and all but one Congressman in my state are Democrats. I talked to the Congressman from my district about some of the abuses I know of. He said, "Oh, forget it! It is our inning now. The Republicans got away with plenty. Now it's our turn." I bought Liberty bonds that kept me poor for two years paying for them, but I wouldn't buy a Government bond now even at 41 per cent discount. I have faith in the U. S.—but no faith in that bunch in Washington that seem to lay awake nights to hatch up more schemes to spend money of the people and lay on more taxes. What can I do? Nothing but cuss!—A Subscriber, *St. Petersburg, Fla.*

* * *

The Benefit is Temporary

Editor, READERS' FORUM:

I have been a consistent reader of your magazine for the past year or more and find your articles very informative from the practical standpoint. I am very much interested in the present economic situation and feel the lack of practical information. Most textbooks on the subject of today are too clouded with "theory" and do not show, or attempt to show how, for instance, the decrease of the gold content of the dollar will affect imports and exports. Can you suggest where such information can be obtained?—W. H. F., *Weaverville, N. C.*

Answering your question in the simplest way, if the dollar should be cut in half in terms of gold and if such depreciation should be made effective in the dollar's relationship to foreign currencies, it would then take two dollars to purchase a given sum of foreign money where one dollar was required before and, conversely, with a given sum of his own currency a foreigner could buy two dollars where he could only get one with the dollar at its former parity. Thus, as long as our domestic commodity prices lag behind the depreciation in the dollar, it becomes more expensive for Americans, whose income is in dollars, to buy goods from abroad and less expensive for foreigners to buy our goods. The advantage to us in our trade balance is a temporary one. It would disappear when and if our commodity prices rise in ratio to the dollar's depreciation in terms of foreign currencies. Moreover, the advantage, if it became seriously adverse to competing nations in foreign trade, would ultimately in-

(*Please turn to page* 581)

PERSONAL SERVICE SECTION

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested, or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your request to *three listed securities.*
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. If not now a paid subscriber, use coupon elsewhere in this issue and send check at same time you transmit your first inquiry.

Special rates upon request for those requiring additional service.

OHIO OIL CO.

Do you believe that Ohio Oil now discounts its prospects under the N R A—its prospects in further business improvements? Would you recommend buying this stock now as a good low-priced speculation?—A. R. H., San Francisco, Calif.

Ohio Oil Co., through gradual expansion, has developed into a well integrated oil unit with extensive producing properties in the Mid-Continent area, most important of which lie in the prolific Yates field in Texas, refining plants in Illinois, Oklahoma and Texas and distributing outlets in the Middle West and South. Reflecting the demoralized condition in the oil industry in the first half of 1933, a net loss for the period of approximately $3,140,000 was indicated, as against a profit of $4,098,000 in the corresponding 1932 period. However, in the third quarter a better price situation existed with the result that earnings jumped to $1,206,000 net or equal to 6 cents per share on the common stock as against the equivalent of 20 cents a share in the third quarter of 1932. At this point it should be realized that the price of crude did not attain the $1 level until the latter part of the third quarter whereas in 1932 such a basis was in effect from April to December. Recent advices indicate that a materially improved showing was made in the fourth quarter because of the better price structure. Financial position is strong and Ohio Oil, with its well balanced capitalization, should be in a position to benefit substantially from further anticipated improvement in the oil industry over the coming months. In this connection a better price level for crude will prove highly profitable with respect to the company's large inventory. The recently concluded gasoline pooling and marketing agreement should help stabilize the industry no little through prevention of distressed selling and sustaining prices at levels affording satisfactory profit margins. One of the objects of the plan is to raise bulk prices in the Mid-Continent area to a level previously prescribed by the oil code. Should the plan go through, considerable improvement in the general situation is expected. Therefore, purchases of Ohio Oil common stock are warranted on the premise that the longer term trend for these shares is definitely upward subject, of course, to intermediate fluctuations.

VANADIUM CORP. OF AMERICA

What is your opinion of Vanadium Corp. at current prices? In view of the improved position of the steel and automobile industries, it seems to me that this stock might be behind the market? Would you recommend the purchase of this stock now as a good speculation?—T. K., Denver, Colo.

Vanadium Corp. derives by far the major portion of its income from the sale of vanadium and other alloys to the steel and related industries. Obviously, the extremely depressed status of its principal customers throughout the depression resulted in a sharp earnings decline for the company. Sizable deficits were reported for both 1931 and 1932. Because of improving conditions in the steel industry, however, after the initial quarter of last year, Vanadium was able to reduce its loss for the 6 months ended June 30, 1933, to $613,354. In the corresponding interval of the previous year the deficit amounted to $801,627. While the report for the full year 1933 is not as yet available, it is probable that a further extension of the earnings improvement in evidence during the initial six months will be revealed. As this is being written the steel industry is continuing to report increased activity, its substantial orders from the automotive industry being supplemented by increased demand from the railroads and construction industries. With the outlook for such large consumers of alloy steels as the automobile, machine tool and allied industries, definitely promising over the medium term, at least, there is little question but that Vanadium Corp. will register further earnings gains. Financial condition of the company, according to the balance sheet dated June 30, 1933, was satisfactory, with total cur-

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

rent assets largely in excess of total current liabilities. Because of the outstanding position in its field and its decidedly improved earnings outlook, we feel that limited speculative commitments in the capital stock are fully warranted around prevailing quotations.

NEW YORK, NEW HAVEN & HARTFORD R.R.

Can you explain New York, New Haven & Hartford's deficit of $4,853,832 for 1933 as compared with $393,047 for 1932? Do you believe this road has now passed its worst period? Would you advise the purchase of its stock at current prices?—L. S., Newark, N. J.

The large operating deficit of the New Haven reported for 1933 as compared with the relatively small loss in 1932 is due chiefly to the sharp decline in passenger revenues. Gross passenger revenues in the first 10 months of last year fell off $4,128,671 to $16,754,427, or about 20%. It has not been feasible to discontinue or reduce passenger trains as travel lightened because of service regulations and the danger that the public might be permanently turned to other forms of transportation if scheduled runs were curtailed. Freight train operation is more flexible and costs are more readily controlled. The New Haven depends on the movement of coal and manufactured goods for its principal freight traffic. The cold winter, causing a depletion of dealers' fuel supplies, and an acceleration of manufacturing activity in the New England region should lead to a greater movement of coal, manufactured products and incoming freight of the smaller package variety. Recent indications were that the downward trend of passenger revenues in evidence since early 1929 has been checked. While the financial position of the road continues unfavorable, no apprehension need be felt as the loans contracted during the depression are well secured and there are no large near term maturities of funded debt. At the close of 1933, current assets totalled $15,270,449 as against current liabilities of $30,214,923. The ice has now been broken on the refunding of obligations under the new Securities Act and the New Haven may have an opportunity to replace floating debt with long term bonds in the not too distant future. The worst period of the road is believed to have been passed and it is expected that fixed charges will be fully covered this year for the first time since 1931. While dividends on the common stock are not in near term prospect, we feel that its long pull potentialities justify moderate purchases during periods of general market weakness.

NEW JERSEY ZINC CO.

I bought New Jersey Zinc at 53, saw it advance to 65¾, then recede. I will appreciate your advice as to whether to hold or sell this stock, as well as any information you would care to give me about the outlook for this company.—J. H. F., Hartford, Conn.

New Jersey Zinc Co., ranking as one of the world's leading manufacturers of zinc products, reported for the year ended December 31, 1933, net income of $3,994,072 or the equivalent of $2.03 a share of capital stock. This compares with $2,013,120 or $1.20 a share in the preceding year. In a quarterly segregation of the income statement it might be noted that fourth quarter earnings equalled 56 cents on the capital stock, comparing with 77 cents in the preceding quarter and 21 cents in the December quarter of 1932. However, the third-quarter statement included earnings of approximately 20 cents a share, representing proceeds from patents, etc., as against 8 cents accruing in this manner in the final quarter of 1933. On an actual operating income basis, 1933 earnings were equal to $1.75 a capital share compared with the $1.20 reported in 1932. This company is one of the few which issues no balance sheet although it is the general belief that financial position is quite strong. An unbroken dividend record has been maintained since 1900 with surplus supplying the necessary requirements in the lean years of the depression. It is believed that the rubber industry takes approximately one-half of this company's total output of zinc oxide with the paint industry also a large consumer. With maintenance of recent heavy demand in the former anticipated over the coming months and sharp gains in activity expected in the latter when weather permits, the outlook for New Jersey Zinc gives promise of further earnings expansion during 1934. While the current return of approximately 3.4% is not particularly attractive, prospects over the near term and long term as well, would appear to justify continued retention of these shares on an investment basis.

TIDEWATER ASSOCIATED OIL CO.

I have 100 shares of Tidewater Associated Oil, bought well above present levels, and have been tempted to average down. I will appreciate your views on this company's position and prospects—and whether you believe this stock can be bought to advantage at present prices?—W. I. B., Philadelphia, Pa.

As a thoroughly integrated unit in the petroleum industry, Tidewater Associated Oil Co. appears well situated to benefit materially from higher crude oil and gasoline prices. This is evidenced by the earnings report for the September quarter of last year. For that period, net income was equivalent to 26 cents a share on the common stock as compared with only 8 cents a share for the corresponding interval of the previous year. The company reported a deficit of $1,238,728 in the initial quarter of last year but subsequent earnings improvement is believed to have enabled it to earn around 25 cents a share on the common stock for the full year. Actual earnings for 1932 were equivalent to 13 cents a common share. As a result of this betterment, directors declared in December a dividend of $1.50 a share on the preferred stock, which amount covered the payment ordinarily due April 1, 1933. It is probable that full dividend arrearage will be made up and regular disbursements resumed on the preferred stock at an early date. Through open market purchases, the company is understood to have retired a substantial number of its preferred shares, thereby further improving the position of the common. A strong financial condition has been maintained which will permit expansion of facilities as it is warranted. Because of operating economies effected during the past two years, it is probable that per share earnings on the common stock will mount rapidly under present improved conditions in the industry. All factors considered, we believe that you might well take advantage of present reasonable prices for the common stock to increase your holdings.

MAY DEPARTMENT STORES CO.

I now have 17 points profit on 100 shares of May Department Stores bought about two years ago. Would you advise me to take my profit or do you think this company's prospects, and the recent dividend increase, warrant holding this stock further?—R. L. W., Chicago, Ill.

Although the report of May Department Stores Co. for the fiscal year ended January 31, 1934, is not as yet available, it appears reasonable to assume that earnings were considerably above those of the previous year. Most of the company's stores are located in highly industrialized sections of the country, particularly in the Middle West, and increased employment undoubtedly resulted in substantially higher sales. As you are aware, directors recently declared a quarterly dividend of 40 cents a share on the common stock, which compares with a previous quarterly distribution of 25 cents a share. This action lends basis to the

(*Please turn to page 578*)

New York Stock Exchange

Rails

	1932		1933		1934		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	3/7/34	Share
A								
Atchison	94	17⅞	80½	34⅝	73¾	54	64½	..
Atlantic Coast Line	44	9¾	59	16½	54¼	39	47⅞	..
B								
Baltimore & Ohio	21⅛	3¾	37⅛	8¼	34½	22¼	29⅝	..
Bangor & Aroostook	35¾	9½	41¾	20	46⅛	39½	42⅛	2½
Brooklyn-Manhattan Transit	50¼	11⅛	41¼	21¾	36¼	30½	30½	..
C								
Canadian Pacific	20⅝	7¼	20⅞	7½	17½	12¾	16⅛	..
Chesapeake & Ohio	31½	9¾	49¼	24⅝	46⅝	39½	43	2.80
C. M. & St. Paul & Pacific	4½	¾	11¾	1	8½	4¼	6¼	..
Chicago & Northwestern	14½	2	16	1¼	15	6⅝	12⅞	..
Chicago, Rock Is. & Pacific	16⅜	1½	10⅛	2	6¼	2¾	5	..
D								
Delaware & Hudson	92½	32	93¾	37⅝	73½	53	62¼	..
Delaware, Lack. & Western	45⅞	8½	46	17¼	33¾	22½	28	..
E								
Erie R. R.	11¾	2	25¾	3¾	24⅞	13⅞	21	..
G								
Great Northern Pfd.	25	5½	33¾	4⅝	32½	18⅝	27	..
H								
Hudson & Manhattan	30¾	8	19	6½	12⅛	7½	9	..
I								
Illinois Central	24⅞	4¾	50¾	8½	38⅞	28½	31½	..
Interborough Rapid Transit	14⅝	2¼	13¾	4½	13¾	8¾	9⅛	..
K								
Kansas City Southern	15¼	2¼	24⅞	6½	19¼	11	15½	..
L								
Lehigh Valley	29¼	5	27¾	8⅝	5	2½	3⅞	..
Louisville & Nashville	38¼	7½	67½	21¼	61⅛	48¼	54	1½
M								
Mo., Kansas & Texas	13	1¼	17⅛	5¾	14⅞	8	12	..
Missouri Pacific	11	1½	10¼	1⅛	6	3	5	..
N								
New York Central	36⅝	8¾	58½	14	45¼	31½	36⅝	..
N. Y., Chic. & St. Louis	9¾	1½	27⅝	2⅛	25¾	15	20½	..
N. Y., N. H. & Hartford	31⅝	6	34⅞	11⅛	24⅛	14¼	18⅜	..
N. Y., Ontario & Western	15¾	3⅝	15	7½	11⅝	8	10⅜	..
Norfolk & Western	135	57	177	111½	181	161	175	*10
Northern Pacific	25⅜	5½	34⅞	9⅝	35⅛	21⅛	29	..
P								
Pennsylvania	23⅛	6½	42¼	13¾	39⅛	29¼	34⅛	.50
S								
St. Louis-San Fran.	6⅝	⅝	9	⅞	4⅝	2¾	3½	..
St. Louis-Southwestern	13⅞	3	22	5¼	18⅛	12½	18½	..
Southern Pacific	37⅝	6½	38¾	11⅛	33¾	18½	27⅛	..
Southern Railway	18½	2½	36	4⅛	36½	23¾	30½	..
U								
Union Pacific	94½	27⅝	132	61¼	133	110½	126	6
W								
Western Maryland	11⅜	1½	16	4	17¼	8¾	14⅛	..
Western Pacific	4¾	½	9½	1	7⅛	2¾	5¼	..

Industrials and Miscellaneous

	1932		1933		1934		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	3/7/34	Share
A								
Adams Express	9½	1⅝	13¼	3	11⅞	6⅝	9½	..
Air Reduction, Inc	63½	30⅞	112	47½	106¼	95½	98¼	3
Alaska Juneau	16⅝	7¾	33	11⅛	23⅞	19¼	20	*.75
Alleghany Corp	3⅝	⅜	8¼	⅞	5¼	3⅛	3⅝	..
Allied Chemical & Dye	38¼	42½	152	70¾	160¾	144	148½	6
Allis Chalmers Mfg	15⅜	4	26¾	6	23⅜	16½	19	..
Amer. Brake Shoe & Fdy	17⅞	6½	42½	9⅛	38	28	32⅝	.60
American Can	73⅞	29⅝	100½	49½	107¾	94⅛	99¾	4
Amer. Car & Fdy	17	3⅛	39¾	6⅛	33⅞	23¼	28	..
Amer. Com'l Alcohol	27	11	89⅞	13	62½	47¾	51½	..
American & Foreign Power	15	2	19⅝	3⅞	13¾	7¾	9¾	..
Amer. International Corp	12	2½	15⅛	4¼	11	6½	8¾	..
Amer. Mach. & Fdry	22¼	7½	22⅜	8¾	19¾	13	17	.80
Amer. Power & Light	17¼	3	19⅞	4	12¼	5⅞	9	..
Amer. Radiator & S. S.	12¼	3⅛	19	4⅝	17⅝	13⅞	14½	..
Amer. Rolling Mill	18½	3	31⅞	5¾	28¼	17½	24	..
Amer. Smelting & Refining	27¼	5⅛	53½	10¾	51¼	41¾	43½	..
Amer. Steel Foundries	15⅛	3	27	4⅝	26½	19¼	20½	..
Amer. Sugar Refining	39¼	13	74	21½	61	46	51½	..
Amer. Tel. & Tel.	137⅜	70¼	134¾	86½	125¼	107¾	119⅜	9
Amer. Tobacco Com	86¾	40½	90½	49	82⅜	65¼	68½	5
Amer. Tob. B	89¾	44	94¾	50¾	84½	67	70	5
Amer. Water Works & Elec	34½	11	43¼	10⅞	27⅝	16¾	20¼	1
Amer. Woolen	10	1⅝	17	3½	17⅛	11⅜	13⅜	..
do Pfd.	39⅞	15½	67½	22⅝	83¾	61⅝	72½	..
Anaconda Copper Mining	19⅜	3	22⅞	5	17⅝	13½	14½	..
Armour Ill. A	2¾	⅝	7¾	1⅛	6⅞	4¼	5⅝	..
do B	2	⅜	5	¾	3⅜	2¼	2¾	..
Atlantic Refining	21⅞	8⅝	32½	12⅜	35¼	28¼	30⅜	1
Auburn Auto	151¾	28¾	84¼	31	57¼	47¾	54¼	2
Aviation Corp. Del	8⅞	1½	16⅜	5½	10¾	5⅜	7⅝	..
B								
Baldwin Loco. Works	12	2	17⅝	3½	16	11	13	..
Barnsdall Corp.	7	3½	11	3	10	7¾	8⅜	..
Beatrice Creamery	43½	10½	27	7	18	10⅜	15	..
Beech-Nut Packing	45¾	29¼	70½	45	62½	58	58½	3
Bendix Aviation	18¾	4½	21¼	6½	23⅛	16⅛	18½	..

Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1932 High	1932 Low	1933 High	1933 Low	1934 High	1934 Low	Last Sale 3/7/34	Div'd $ Per Share
B								
Best & Co.	24⅞	5¾	33⅛	9	33¾	26½	32¾	25
Bethlehem Steel Corp	29⅝	7¼	49¼	10⅛	49½	34¾	43⅞	..
Bohn Aluminum	22¼	4⅞	58½	9½	68¾	55	59	3
Borden Company	43⅛	20	37⅜	18	27½	19⅝	22⅞	1.60
Borg Warner	14¼	3⅜	22¼	5½	28⅝	20¾	24	1
Briggs Mfg.	11¾	2⅞	14⅝	2⅝	18⅛	12	15⅜	.25
Burroughs Adding Machine	13¼	6¼	20⅞	6⅛	19⅜	15	16½	.40
Byers & Co. (A. M.)	24⅝	7	43¼	8½	32¾	21⅞	27	..
C								
Canada Dry Ginger Ale	15	6	41¼	7½	29⅛	24¼	24⅝	1
Case, J. L.	65¾	16¾	103½	30½	86¾	65⅛	71¾	..
Caterpillar Tractor	15	4⅜	29¾	5½	32⅜	23½	28½	.50
Celanese Corp	12⅝	1¼	58⅞	4½	44⅞	33⅞	38⅝	..
Cerro de Pasco Copper	15½	3½	44¾	5⅞	40¼	32⅝	34½	..
Chesapeake Corp	20¾	4⅞	52½	14⅞	46	34	40	2½
Chrysler Corp	21¾	5	57⅝	7¾	60⅜	49⅞	52¾	1
Coca-Cola Co	120	68½	105	73½	109½	95¼	106½	6
Colgate-Palmolive-Peet	31½	10¼	22⅜	7	17⅜	9⅜	16	..
Columbian Carbon	41⅞	13½	71¼	23⅛	71	58	65	*2¼
Colum. Gas & Elec	21	4¼	28⅛	9	19¼	11⅛	15¼	§.50
Commercial Credit	11	3⅞	19¼	4	30½	18⅝	28¼	1
Comm. Inv. Trust	27⅞	10⅞	43½	18	56⅞	35¾	54⅛	2
Commercial Solvents	13¾	3½	57¼	9	36¾	26¼	26¾	.60
Commonwealth & Southern	5⅛	1⅝	6⅛	1¼	3¾	1¾	2⅝	..
Congoleum-Nairn	12¼	6½	27⅝	7⅜	31¼	23	28⅛	1.20
Consolidated Gas of N. Y.	68¾	31½	64⅛	34	47⅜	35⅝	38½	2
Consol. Oil	9	4	15¾	5	14¼	9¾	12¾	.28
Continental Baking Cl. A	8	2⅞	18¼	3	14⅝	7	12	..
Continental Can, Inc.	41	17⅝	78⅜	35¼	81½	75	77⅜	2½
Continental Insurance	25¼	6¾	36½	10½	34⅞	23⅜	30	1.20
Continental Oil	9⅜	3⅝	19⅝	4⅞	20¾	16½	18⅝	..
Corn Products Refining	55⅜	24¾	90⅝	45⅜	84½	71¼	71½	3
Crown Cork & Seal	23⅞	7⅞	65	14¼	36¼	29¼	30	..
Cudahy Packing	35½	20	59½	20¾	50¾	37	44	2½
Curtis Wright, Common	3¼	⅞	4⅜	1½	5¼	2½	3⅞	..
D								
Diamond Match	19⅛	12	29½	17½	28½	24⅜	25½	1
Dome Mines	12⅞	7½	39½	12	37⅞	32	36	*1½
Dominion Stores	18½	11¼	26⅜	10½	22¼	19	19½	1.20
Douglas Aircraft	18⅝	5	18¼	10¼	28½	14¼	20⅜	..
Du Pont de Nemours	59¾	22	96⅜	32⅛	103⅞	90⅝	96⅜	2
E								
Eastman Kodak Co	87⅞	35¼	89¾	46	93¾	79	87¼	3
Electric Auto Lite	32¾	8½	27½	10	31⅜	18⅛	28½	..
Elec. Power & Light	16	2¾	15⅜	3⅛	9⅝	4½	7⅜	..
Electric Storage Battery	33¼	12⅝	54	21	52	44	47	2
F								
Firestone Tire & Rubber	18⅞	10½	31½	9⅛	25¼	18	21¼	.40
First National Stores	54½	35	70¾	43	61½	54¼	57⅛	2½
Fox Film. Cl. A	5⅞	1	19	12	17⅜	12¼	14⅜	..
Freeport Texas Co	28⅝	10	49⅜	16⅛	50⅜	43⅜	45½	2
G								
General Amer. Transpt	35¾	9½	43¼	13¾	43⅝	33⅛	40½	1
General Asphalt	15½	4¾	27	4⅝	21¾	15⅛	18	..
General Baking	19⅝	10½	20⅞	10½	14⅜	11	12¼	1
General Electric	26⅛	8½	30¼	10½	25¼	18½	21¼	.60
General Foods	40½	19⅝	39⅞	21	36⅞	32⅝	33⅜	1.80
General Motors Corp	24⅝	7⅝	35¾	10	42	33½	36¾	1
General Railway Signal	28⅝	6⅛	49½	13¼	45¾	33	43	1
General Refactories	15⅜	1¾	19¾	2½	23⅜	10⅛	19	..
Gillette Safety Razor	24¼	10⅜	20¼	7⅝	12½	8½	11¼	1
Gold Dust Corp	20⅝	8¼	27⅜	12	22⅝	16¾	19¼	1.20
Goodrich Co. (B. F.)	12⅜	2¼	21½	3	18	12⅝	15⅜	..
Goodyear Tire & Rubber	29¾	5½	47½	9¼	41⅜	33⅝	36⅝	..
Great Western Sugar	12	3¼	41⅞	7	34⅞	27	27½	2.40
H								
Hershey Chocolate	83	43½	72	35⅛	57½	48½	51⅜	3
Houston Oil of Texas (New)	5⅜	1⅝	7⅜	1⅞	5½	3½	4½	..
Hudson Motor Car	11¾	2⅞	16⅜	3	24½	13⅜	18⅞	..
Hupp Motor Car	5⅜	1½	7¾	1⅝	7¼	4	5¾	..
I								
Ingersoll-Rand	44⅞	14¾	78	19⅛	73¾	59½	65½	1½
Inter. Business Machines	117	52½	153¼	75¾	149¼	140	141	6
Inter. Cement	18¾	3⅝	40	6⅛	37¾	29½	29⅝	..
Inter. Harvester	34⅛	10⅜	46	13⅝	46⅞	37⅝	40⅝	.60
Inter. Nickel	12½	3½	23¼	6¾	25⅜	21	25	.10
International Shoe	44⅜	20¼	56⅜	24⅜	50⅜	43½	45⅛	2
Inter. Tel. & Tel.	15¾	2⅝	21¾	5⅛	17¾	13½	13⅝	..
J								
Johns-Manville	33⅜	10	63½	12¼	66⅜	55	55½	..
K								
Kelvinator	10⅜	2¾	15⅝	3⅛	20⅝	11⅞	18⅝	12½
Kennecott Copper	19¼	4⅞	26	7⅜	23	18⅝	19¼	..
Kresge (S. S.)	19	6⅝	16⅞	5½	22¾	13⅜	19½	.80
Kroger Grocery & Baking	18⅞	10	35⅝	14½	32⅞	23¼	30¼	*1½
L								
Lambert Co	56¾	25	41⅛	19⅜	31⅜	22¼	27	3
Lehman Corp	51⅞	30½	79⅜	37½	78	65⅛	73	2.40
Libbey-Owens-Ford	9⅜	3¾	37⅜	4¾	43⅞	34½	36¼	1.20
Liggett & Myers Tob. B	67½	34⅛	99⅜	49¼	94¾	74½	85	*5
Liquid Carbonic	22	9	50	10¼	33⅜	26½	27¼	*1¼
Loew's, Inc.	37¾	13¼	36½	8½	34⅜	25¾	31	..
Loose Wiles Biscuit	36⅜	16½	44¾	19¼	44¾	38½	42	2
Lorillard	18⅜	9	25¼	10⅝	19⅛	15⅝	17⅜	1.20

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PRINCIPLES OF SUCCESSFUL TRADING
Profitable methods used by successful traders fully explained. Descriptive folder sent free. (974)

New York Stock Exchange Price Range of Active Stocks

Industrials and Miscellaneous *(Continued)*

	1932		1933		1934		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	3/7/34	Share
M								
Mack Truck, Inc.	28¾	10	46⅜	13½	41¾	33¼	33¼	1
Macy (R. H.)	60½	17	65¾	24¼	62⅛	52	53¼	2
Marine Midland	14⅜	6½	11½	5	9	5¾	7⅞	.40
Mathieson Alkali	20⅞	9	46⅝	14	40¾	32¼	34⅝	1½
May Dept. Stores	20	9½	33	9¾	42¼	30	40¼	1.60
McIntyre, Porc M.	21⅝	13	48⅜	18	43¾	38½	42⅛	*1¼
McKeesport Tin Plate	62¼	28	95¾	44⅛	94¼	84	88	4
Mont. Ward & Co.	16½	3½	28⅞	8⅝	35⅝	21¼	30¼	..
N								
Nash Motor Co	19¾	8	27	11⅛	32¼	23	26	1
National Biscuit	46⅞	20¼	60⅝	31½	49½	40	40¾	2.80
National Cash Register A	18¾	6¼	23⅝	5⅛	23⅝	16½	19½	..
National Dairy Prod	31⅜	14⅜	25¾	10½	17½	13	15½	1.20
National Distillers	27¼	13	35¼	20⅞	31⅝	23¼	27¾	..
National Power & Light	20⅜	6⅝	20½	6⅞	15½	8½	11½	.80
National Steel	33⅞	13½	55⅛	15	58¼	49	49	1
North Amer. Aviation	6⅝	1¼	9	4	8¾	4⅛	5¾	..
North American Co	43¼	13¾	36½	12½	25¼	13⅜	18⅝	.50
O								
Ohio Oil	11	5	17⅝	4¾	15⅞	12⅝	13¾	..
Otis Elevator	22½	9	25¼	10⅛	19⅜	14¾	16⅛	.60
Otis Steel	9¼	1¼	9¼	½	8	4⅛	6⅝	..
Owens Ill. Glass	42¼	12	96¾	31½	94	78¼	85½	3
P								
Pacific Gas & Electric	37	16⅞	31⅞	15	23½	15½	19	1½
Pacific Lighting	47½	20¾	43⅜	22	37	23½	33¼	3
Packard Motor Car	5¼	1½	6⅞	1¾	6⅝	3⅞	5½	..
Paramount Publix	11½	1½	2½	⅛	5⅞	1¾	4½	..
Penney (J. C.)	34½	13	56	19¼	67⅞	51½	65¼	*2.20
Peoples Gas—Chicago	121	39	78	25	43⅞	27	38	..
Phelps Dodge Corp	11⅝	3⅞	18⅞	4½	18¾	15¾	16⅛	.25
Phillips Petroleum	8⅛	2	18¾	4¾	18¾	15⅛	17	.25
Procter & Gamble	42¾	19⅞	47½	19⅝	41¼	36	37⅜	1½
Public Service of N. J.	60	28	57⅛	32⅝	45	34	37¾	2.80
Pullman, Inc.	28	10½	58⅛	18	59⅜	50¼	54½	3
Pure Oil	6½	2⅞	15⅜	2½	14⅞	10⅛	12½	..
Purity Bakeries	15⅞	4⅜	25⅜	5⅞	19¾	12¼	15⅝	1
R								
Radio Corp. of America	13½	2½	12¼	3	9⅛	6½	7⅞	..
Radio-Keith-Orpheum	7¾	1½	5¾	1	4¼	2¼	3⅜	..
Remington-Rand	7½	1	11¼	2½	13⅜	6⅜	12⅝	..
Republic Steel	13⅞	1⅞	23	4	25¾	16	21⅞	..
Reynolds (R. J.) Tob. Cl. B	40¼	26½	54¼	26½	45½	40	40½	3
S								
Safeway Stores	59¼	30⅛	62⅜	28	56	44	52	3
Sears, Roebuck & Co	37¾	9⅞	47	12½	51¼	40½	46¾	..
Seaboard Oil—Del	20⅜	6⅝	43⅜	15	37	25⅜	34¼	*.70
Servel, Inc.	5⅜	1½	7½	1½	7⅝	4¾	6¼	..
Shattuck (F. G.)	12¾	5	13¼	5¾	13⅜	6¾	12½	.28
Shell Union Oil	8¾	2½	11⅝	4	11½	7⅞	10½	..
Simmons Co	13⅜	2¾	31	4⅜	24⅛	17	19½	..
Socony-Vacuum Corp	12¼	5¼	17	6	19⅞	15⅛	16⅞	..
So. Cal. Edison	32¾	15¾	28	14⅛	22⅛	15¼	18⅞	2
Standard Brands	17⅞	8⅜	37⅝	13¾	25¼	20⅝	21⅜	1
Standard Gas & Elec. Co	34¼	7⅝	22½	5⅛	17	6⅝	12⅜	..
Standard Oil of Calif	31⅞	15⅛	45	19⅛	42⅞	37½	37⅜	1
Standard Oil of N. J.	37⅜	19⅞	47⅛	22¾	50⅛	44¼	45½	1
Sterling Products	...	...	63	45¾	58	47¼	54⅝	3.80
Stewart-Warner	8½	1⅞	11⅛	2½	10⅝	6¼	9⅛	..
Stone & Webster	17⅜	4⅝	19¼	5½	13¼	6	9⅝	..
Studebaker Corp	13¾	2½	8⅜	1½	9¼	4⅜	7¼	..
T								
Texas Corp	18¼	9¼	30⅛	10¾	29⅝	23⅛	26⅜	1
Texas Gulf Sulphur	26⅝	12	45¼	15¼	43¼	37½	38	2
Tide Water Assoc. Oil	5⅝	2	11⅜	3⅛	11⅜	8½	11¼	..
Timken Roller Bearing	23	7¾	35⅛	13⅜	41	29⅛	35	.60
Transamerica Corp	7⅛	2⅛	9⅜	2⅝	8⅛	6½	6⅞	.12½
Tri-Continental Corp	5½	1½	8¾	2¾	6¾	4⅜	5¾	..
U								
Underwood-Elliott-Fisher	24⅜	7¾	39⅛	9¼	51½	36	45½	1
Union Carbide & Carbon	36⅝	15½	51⅞	19¾	50⅞	44	44⅛	1
Union Oil of Cal	15⅜	8	23⅝	8⅛	20⅛	17¾	17¾	1
United Aircraft & Trans	34⅝	6⅛	46⅞	16⅛	37⅜	17⅝	23⅝	..
United Carbon	18	6⅝	38	10¼	40¼	35	38	1.72
United Corp	14	3½	14⅛	4	8⅞	4⅛	6½	..
United Corp. Pfd.	39⅜	20	40⅞	22⅛	37⅞	24¾	33½	3
United Fruit	32⅜	10¼	68	23¼	69	59	64¼	2
United Gas Imp	22	9¼	25	13⅞	20⅛	14¼	16⅞	1.20
U. S. Industrial Alcohol	36¼	13¼	94	13⅛	64¾	52	53¼	..
U. S. Pipe & Fdy	18⅛	7¼	22⅛	6⅛	33	18	26¼	.50
U. S. Realty	11¾	2	14½	2½	12¾	7¾	10⅜	..
U. S. Rubber	10¼	1¼	25	2⅞	21⅞	14¾	18⅝	..
U. S. Smelting, Ref. & Mining	22¾	10	105⅝	13½	135½	96⅝	121	§4½
U. S. Steel Corp	52⅝	21¼	67½	23⅜	59⅞	46	53¼	..
U. S. Steel Pfd	113	51½	105½	53	99½	88	91½	2
Util. Power & Lt. A	10⅜	1½	8⅞	1⅞	5⅜	2⅝	3¾	..
V								
Vanadium Corp	23¾	5¼	36¼	7⅝	31¾	21	26⅝	..
W								
Warner Brothers Pictures	4½	½	9⅛	1	8¼	4⅞	6⅜	..
Western Union Tel	50	12⅜	77¼	17¼	66⅞	51½	53⅝	..
Westinghouse Air Brake	18⅛	9¼	35⅝	11¾	36	26¾	30½	1
Westinghouse Elec. & Mfg	43⅛	15⅝	58¾	19⅜	47¼	35¾	38½	..
White Motor	27¼	6⅞	26½	15⅛	28½	16⅝	23⅜	..
Woolworth Co. (F. W.)	45⅝	22	50⅞	35⅛	53⅞	41¼	49⅜	2.40
Worthington Pump & Mach	24	5	39⅞	8	31⅞	21	24⅜	..
Wrigley (W. Jr.)	57	35¼	57¼	34½	61	54½	58¼	*3½

§ Payable in stock. * Including extra.

Profit and Loss Potentialities in Recent Inventory Changes

(Continued from page 563)

$18,881,890 in inventories last December, against $9,601,027 a year ago. In December, 1932, tin plate was quoted at $4.25 a base box; last December it was $5.25. Very roughly, therefore, this means that approximately 25% of the increase in the inventories of the two big container companies can be attributed to an increase in price. A further, and unknown, part of the increase can be put down to the necessities of greater business activity. But even making all due allowance for these factors, it seems that the physical inventory currently being carried by both American Can and Continental Can is relatively much larger than last year. Comparing the two companies, American Can appears to be stocked the heavier, for it carries a normal stock of tin plate at pre-war prices (a bookkeeping system common to National Lead and other companies, although the so-called normal inventories here are probably smaller than the real "normal" about which we have spoken. It is, however, a recognition that inventories have to be replaced before a real profit can be made) whereas Continental Can carries all its inventory at the lower of cost or market. Because of the continuing demand for their product, and no reason to believe that they will be unable to raise the price to compensate fully for any possible increase in tin plate costs, the two can companies entered the current year looking forward to a bright future.

Among other companies reporting greatly increased inventory accounts for last year is the American Woolen Co. Here, however, it is much less certain than in the case of the can companies that the inventory is relatively larger than at the end of 1932. This is not only because the demand for American Woolen's output has increased so greatly that a much larger inventory appears logical, *but wool prices in December were two-and-a-half-times the low figures of earlier in the year.* One might guess indeed that American Woolen's inventory at the end of 1933, taking into consideration all factors, was really relatively smaller than a year previously, despite the unmistakable showing of the figures to the contrary. With a continued rise in prices, the company, of course, should continue to benefit from the greater demand for textiles and the maintenance of reasonable profit margins. It will garner, however, no great speculative profit from a rise in wool inventories, such as the can companies, for example, might obtain from their holdings of tin plate.

The accompanying table has been used to illustrate that higher prices coupled with greater business activity fostered larger inventories, and that in some cases the increase in inventories was even more than these two factors would seem to justify. It brings out even more clearly, however, the almost universal decrease in holdings of cash or its equivalent. While this is not surprising, it does serve to focus attention on a point extremely important to corporate well-being.

A gently rising trend to commodity prices, although not universally beneficial, nevertheless helps most companies. In addition to permitting a true enhancement of capital from the rise in price for abnormal inventories, it frequently permits the re-establishment of the all-important profit margin and tends to increase volume. On the other hand, an extremely rapid rise in prices spells almost universal ruin. In this case, companies find themselves without cash on hand to maintain even normal inventories. They enjoy the illusion of immense profits while real working capital dwindles to insignificance. They issue securities hand over fist and borrow from anyone foolish enough to lend in order to make up the working capital deficiency, only to crack-up eventually. This is exactly what happened during the German and other inflations and provides the best of reasons why common stocks would be no worthwhile protection to the individual in this country should we embark along the same road.

Enough has been said to show that something more than the mere combination of large inventories and a rising price trend is needed to bring about true corporate prosperity. There are valid reasons why those who bought stocks solely on this combination last year did not do as well as they expected, despite being perfectly right

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Saturday, February 10	79.69	105.47	49.66	93.99	91.56	2,187,310
Monday, February 12	HOLIDAY—EXCHANGE CLOSED					
Tuesday, February 13	80.09	106.10	50.37	93.30	93.29	2,060,510
Wednesday, February 14	80.46	106.78	50.70	94.90	93.06	1,938,620
Thursday, February 15	81.07	108.30	51.84	96.90	95.07	2,977,338
Friday, February 16	81.38	108.61	52.01	97.52	95.76	2,769,520
Saturday, February 17	81.48	109.07	52.02	96.99	95.87	1,164,900
Monday, February 19	81.51	107.53	51.62	96.76	94.87	2,346,705
Tuesday, February 20	81.41	108.14	51.79	96.18	95.13	1,219,620
Wednesday, February 21	81.66	108.50	51.81	96.43	95.25	1,898,820
Thursday, February 22	HOLIDAY—EXCHANGE CLOSED					
Friday, February 23	81.21	106.14	50.02	96.47	93.47	2,290,178
Saturday, February 24	80.97	104.77	49.08	93.80	92.53	1,223,130
Monday, February 26	80.33	103.12	47.90	92.44	90.58	2,187,980
Tuesday, February 27	80.56	103.67	47.94	92.44	90.96	1,271,660
Wednesday, February 28	80.67	103.46	47.80	93.07	91.12	1,322,090
Thursday, March 1	80.53	103.18	47.57	91.62	90.13	1,242,010
Friday, March 2	80.79	105.79	49.19	93.41	91.72	1,480,800
Saturday, March 3	80.87	105.56	49.22	93.64	91.72	798,820
Monday, March 5	80.91	105.02	48.89	93.15	91.81	952,180
Tuesday, March 6	80.95	103.84	48.69	92.54	91.69	806,510
Wednesday, March 7	80.76	101.59	47.60	92.56	89.64	1,733,830
Thursday, March 8	80.95	103.21	48.32	91.25	89.21	1,697,190
Friday, March 9	81.36	102.44	48.12	91.62	90.15	1,369,605
Saturday, March 10	81.50	102.77	48.02	90.66	89.77	571,720

both on the size of the inventory and the trend of prices. By applying the points that have been illustrated to other promising situations at this time, it is hoped that the percentage of disappointment will be cut down.

Answers to Inquiries

(*Continued from page* 572)

belief that the company is participating fully in improved economic conditions. Financal condition of the enterprise at the close of the fiscal year ended January 31, 1933, was strong, and there is every reason to believe that this important factor remains adequate. The management has constantly endeavored to strengthen the competitive condition of its various stores, while many operating economies have been inaugurated, which, given more normal economic conditions, should permit satisfactory earnings to accrue to the capital stock. In view of the probability that employment will continue the improvement recently in evidence and that purchasing power will thereby be further increased, May Department Stores' earnings for the current year should be most satisfactory. Thus, at current levels, we see no need to disturb present holdings of the stock and counsel its retention both for income and further market enhancement.

SEARS, ROEBUCK & CO.

I have been told that Sears, Roebuck is selling rather high considering it pays no dividend. In view of this, do you think I am justified in continuing to hold 200 shares of this stock on which I now have a small profit? Do you foresee early dividend resumption?—L. H. S., Brooklyn, N. Y.

Reflecting increased farm income throughout the country, business of Sears, Roebuck's mail order division in the latter part of 1933 showed considerable expansion. At the same time, due to higher rate of purchasing power in the industrial areas, the company's retail division benefited considerably. Since September, sales have not only exceeded corresponding 1932 figures but have increased over the same period in 1930, three years earlier. In the four weeks period ended December 31, last, sales increased 25.6% over the same period of 1932 and in the four weeks ended January 29, 1934, this increase amounted to 30.2%, bringing the net change for the 52 weeks period, ended January 29, 1934, on a comparative basis, to 4.5% on the upside. Reflecting higher commodity prices and an improved purchasing power, the company was able to report a net income for 1933 of $11,249,294 or equal to $2.35 per share on the common stock. This contrasts with a net deficit of $2,543,651 in the preceding year, exclusive of extraordinary reserve charges against surplus which approximated $12,335,000. On January 29, last, current assets amounted to $107,177,035 as compared with current liabilities of $45,871,874. During the one-year period net working capital increased approximately $14,150,000 to $61,305,161. Evidences of returning purchasing power in industrialized centers and indications of gradual improvement in farm income, together with the Government's continued efforts in behalf of the farmer, should find further reflection in expanding dollar sales volume for this leading unit in the mail order business during the current fiscal year. Although the stock appears liberally priced as a non-dividend payer and on the basis of recent operating results, the longer term outlook appears sufficiently bright to justify continued representation in the shares. Dividend inauguration will be contingent upon actual demonstration of continued expansion in net operating results.

MACK TRUCKS, INC.

I bought 100 shares of Mack Trucks, Inc., last year at 33. I have seen this stock sell at 41¾ and then recede. I would like to know if you think I am justified in continuing to hold this stock, or are there unfavorable developments which would suggest selling now?—R. W. H., Seattle, Wash.

The slowness with which the Government has entered upon its large construction projects is the nearest to an unfavorable development that can be suggested in the Mack Trucks situation. This company is a leading producer of heavy-duty trucks, buses, motor coaches and special bodies and vehicles, including trucks for transportation of milk, beer, oil, and fire-fighting apparatus. As compared with passenger cars, large volume demand for trucks has been tardy in materializing due primarily to the surplus of idle vehicles. As the end of winter approaches, with the Government and private business prepared to proceed with their extensive programs for road-building and large scale construction, and with a greater movement of truck load freight in prospect, the outlook for Mack Trucks is such that earnings on the common can be reasonably expected this year. Consolidated income account for the year 1933 disclosed a net loss of $947,909, in contrast with a loss of $1,479,598 in 1932 and the still larger deficit of $3,032,410 the year before. In 1930 profits equalled $2.60 a common share while $9.05 a share was earned in 1929. Financial position has continued excellent despite operating losses. At the year-end, current assets totalled $26,694,968 against current liabilities of only $1,904,871. The net working capital was equivalent to about $37 a share, while book value was $60 a share and cash and New York State securities equalled $11 a share. Obviously the present dividend of $1 per annum could be continued for some little time. Outstanding funded debt was retired last year, leaving the common stock with the sole claim on earnings and assets. Thus, we think you are well justified in holding your stock, at current levels, especially in view of the improved earnings outlook.

KROGER GROCERY & BAKING CO.

I would like to have the views of your analysts on the outlook for Kroger Grocery & Baking. Do they advise the retention of this stock bought at 40½? Do they think this would be a good time to average down? —J. H. R., Butte, Mont.

The territory served by Kroger is highly industrialized and the demand for groceries and meats should materially increase as factory employment and payrolls continue to expand. During 1933, Kroger eliminated 337 of its less profitable stores and at the close of the year was operating 4,400 stores, contrasted with 5,165 stores at the end of 1930. The wisdom of this action is demonstrated by the small decline in gross sales volume, 3.5% as compared with a decline of 2.4% in retail food prices, and the 70% increase in net income. The report of Kroger Grocery & Baking Co. and subsidiaries for 1933 showed net profits of $4,546,203, equivalent after preferred dividend requirements to $2.51 a common share, as against $2,740,867, or $1.47 a share the year before. Current assets at the year-end, including $8,415,286 cash and $1,475,800 U. S. Government securities, etc., amounted to $30,841,183, and current liabilities were $6,702,485. Some investors have expressed their apprehension in regard to increased operating costs under the N R A and chain store taxes proposed or already imposed as in Indiana, where about 370 stores are located. However, it is probable that such additional costs will directly or indirectly be returned to the company through better public purchasing power. Kroger is now operating on the most efficient basis in its history and with firmer commodity prices and larger sales volume in prospect, a further increase in net should be developed. The common shares are

moderately priced at current levels, and we would not oppose additional purchases for the purpose of averaging original costs of present holdings.

Will Rising Prices Speed or Retard Recovery?

(Continued from page 544)

the increased cost of doing business on fewer individual sales. Such is the complaint voiced at Washington in N R A's "complaint convention" by the representative of the National Retail Dry Goods Association. He adds that any further increase in prices would lead to a buyers' strike, "signs of which we in the retail business have been observing during the past few weeks."

A similar complaint was voiced at the same hearing by a representative of R. H. Macy & Co., leading cash department store of New York City. "During a period when wholesale prices advanced 36.5 per cent and our retail prices 35.5 per cent," says Macy's, "the average weekly earnings in New York State factories rose 8.2 per cent. It is clear that both wholesale and retail prices have advanced very much faster than average consumer income." Moreover, this concern remarks, "the average or representative cost provision (of the N R A Code) tends greatly to inflate the profits of low-cost producers and keep in production many inefficient and high-cost producers."

The N R A Consumers' Advisory Board voices a similarly outspoken criticism of price advances under many codes and warns that the result is a lowering of consumer purchasing power, thus retarding economic recovery, rather than contributing to it.

It appears obvious that, as a generality, prices in most lines have tended to run ahead of consumer purchasing power. It is also true that in many instances the N R A code is being used by the shortsighted as a means of enforcing unjustifiably higher prices. For example, construction remains the most depressed of industries, yet building materials are now priced at 86 per cent of the boom-time level and one item—cement—is at 90 per cent of that level. It need hardly be said that the public's financial ability to erect new houses is nowhere near 86 per cent of normal and that disproportionately high costs of building materials and of building labor can not be conducive to revival in this industry.

Faced with increased costs and the fear that offsetting prices sufficient to yield a profit will curtail public de-

mand, individual concerns are confronted with a quandary of no mean proportions. Yet the quandary is not less serious in its over-all economic implications for us all. When the present emergency Federal spending in the cause of recovery is ended, as it inevitably will be, the question will be whether consumer income can catch up with rising prices and keep in step thereafter. If it can, well and good. If it doesn't, prices will necessarily stop rising and costs will have either to be lowered or, in many businesses, absorbed at the expense of profits.

Finally, there remains the question as to the ultimate effect of the present approximately 40 per cent depreciation of the dollar in terms of gold content and the possible ultimate depreciation of 50 per cent. As to this, the reader may take his choice of reputable prophets. Some say there will not be a proportionate advance in prices. Others are convinced there *will* be an ultimate proportionate advance. The one certainty is that there has not *yet* been a proportionate advance. Yet it is argued by many economists that after stabilization—which we now apparently have in *de facto* form—prices will assuredly rise for a long period, ultimately discounting the changed gold content of the dollar.

It would seem a logical conclusion that in a deliberately-planned and controlled policy of monetary depreciation, bulwarked by the world's greatest hoard of gold and unaccompanied by frightening currency inflation, the normal forces of economic supply and demand will scarcely disappear. These forces are such as to suggest, assuming that dollar depreciation is near its limit, that any price rise from here on will have to conform closely to a proportionate rise in consumer income. Otherwise, an average advance to the 1926 level—assuming it to be possible— not only would not restore prosperity but would effectively block the active exchange of goods and services, and, in so doing, seriously retard sound recovery.

European monetary precedents offer no guide. The German, French and Belgian inflations were forced, and not voluntary. They reflected an exhaustion of government credit and were marked by a many-fold expansion in currency issuance. Moreover, they occurred in a post-war period marked by a world shortage of goods. Under the combination of circumstances, prices *did* rise in proportion to the degree of currency depreciation. It is perhaps significant, however, that in each of these countries prices reached their peak before stabilization and declined after stabilization.

In the United States there is no shortage of goods today and no shortage of productive facilities. There has been no significant inflation of the currency and no significant public flight from the currency. The Government's credit is secure—so secure that to most citizens the dollar persistently remains a dollar despite the Government's solemn assurance that, as a result of a magic change in the amount of the hidden and unseen gold behind it, it should really be worth only 59 cents. As the difficulties multiply, perhaps we will be content with a price level, substantially under that of 1926.

Nationalism or Foreign Trade?

(Continued from page 551)

tion and the natural rate of population increase has begun to decline rapidly. In another twenty years our population will be stationary. It is conceivable that a planned economy might so increase consumption by means of redistribution of the national income that in time our per capita consumption of all products would be vastly greater than at present. But before that goal were reached there would be unendurable decades of painful readjustment. Our present productive capacity was built up in response to abnormal foreign demand during and after the war. But now the world tendency is to call upon us for less and less than formerly. Self-containment to the limit means that we must get along without even the pre-war demand for our agricultural products.

The Policy of Drift

We were drifting in our foreign economic relations before the war, and we drifted thereby onto the shoals of the depression. We lent uncounted billions of dollars to foreigners so that they could pay us our own cash for what they bought from us. Naturally we ran out of cash and the foreigners ran out of buying power, since our high tariffs kept out their payment goods. Now that we are through with lending they are through with buying. If we continue to drift we will eventually be forced into an approximation of self-containment willy nilly. We shall be shut out of all the great period of development that still lies before the world as a whole, unless civilization shall proceed to commit suicide through another world war. Our future acquisition of wealth will depend entirely upon how successful we can be in building up domestic trade. That is to say we shall participate only in the trade of 125,000,000 people instead of that of 2,000 millions. We may be content

in isolation, as Japan was before Commodore Perry, but it is hard to imagine adventurous Americans sitting idly by while the world marches on to wealth and prosperity.

The Middle Course

The middle course regarding international trade, to which the President now seeks to commit us, aims at keeping some of our foreign trade and sacrificing both agriculture and industry to some extent. We cannot stand a billion dollars worth more of foreign goods than we took when we were selling on credit in 1929, for while that would take care of agriculture it would ruin industry. And if domestic industry is ruined the farmers' rescue would be short lived. The President's idea—and also that of Secretary Wallace—is to cut down agricultural product somewhat, and let some industries die in competition with foreign goods. In other words, in order to save something of the foreign market for the farmer, the industrialist must hand over some of his home trade to his foreign competitor. When Mr. Roosevelt comes to picking his lines of reciprocal foreign trade he will also have to choose the sacrificial goats from the American flocks. Some of the goats will not be entirely consumed on the altar of readjustment. They will merely have some of their profits burned off, through relinquishment of some of their domestic trade. Others will be thrown headlong into the altar fires.

The criterion of selection of the sacrifices will be: Will the extinction or repression of a given industry result in benefits to other industries more than equivalent to its losses?

The second article in this series will apply this criterion hypothetically and point out the industries that may benefit and those that may suffer under a policy of increasing imports.

Readers' Forum

(*Continued from page 570*)

vite retaliation, whether in the form of competitive currency depreciation or higher tariffs, quotas or other restrictions imposed on imports from the United States. Currency depreciation is a tariff wall against imports and a catapult for exports. The device is really too simple to be relied on, except as a bargaining lever in negotiations for ultimate stabilization of currencies or as an emergency aid in moving surpluses. The game is open to all. Carried to its logical ultimate conclusion, no trading nation's money would be worth anything.

Dividends and Interest

GENERAL MILLS, INC.

Preferred Stock Dividend

March 1, 1934.

Directors of General Mills, Inc., announced today declaration of the regular quarterly dividend of $1.50 per share upon preferred stock of the company, payable April 2, 1934, to all preferred stockholders of record at the close of business March 14th, 1934. Checks will be mailed. Transfer books will not be closed.

(Signed) KARL E. HUMPHREY, Treasurer.

UNION CARBIDE AND CARBON CORPORATION

A cash dividend of Twenty-five cents (25c) per share on the outstanding capital stock of this Corporation has been declared, payable April 2nd, 1934, to stockholders of record at the close of business March 9th, 1934.

WILLIAM M. BEARD, Treasurer

IMPERIAL OIL LIMITED

IMPORTANT NOTICE

NOTICE is hereby given that on and after the first day of March, 1934, new Coupon Sheets will be issued to the holders of Bearer Share Warrants of this Company, upon surrender of the NUMBERED TALON attached to the bottom of the Share Warrant. This Talon should be detached from the Share Warrant Certificate, and forwarded by registered mail, insured, to the office of the Secretary, 56 Church Street, Toronto, Ontario.

At the earliest date possible after the receipt of this Talon, new Coupon Sheets bearing the same Serial Number as the Certificate from which the Talon is detached, will be returned in exchange therefor.

BY ORDER OF THE BOARD.

F. E. Holbrook, Secretary.

56 Church Street, Toronto Ont.

ALLIED CHEMICAL & DYE CORPORATION
61 Broadway, New York

February 27, 1934.

Allied Chemical & Dye Corporation has declared quarterly dividend No. 53 of one and three-quarters per cent. (1¾%) on the Preferred Stock of the Company, payable April 2, 1934, to preferred stockholders of record at the close of business March 9, 1934.

W. C. KING, *Secretary*.

WILSON & CO., INC.
PREFERRED STOCK DIVIDEND

The Board of Directors of Wilson & Co., Inc., a Delaware Corporation, has declared a dividend of one and three-quarters per cent (1¾%) per share on its Preferred Stock, payable April 2, 1934, to holders of record at the close of business March 17, 1934, to apply against accumulated dividends. Checks will be mailed. Dated, Chicago, February 27, 1934.

GEO. D. HOPKINS, Secretary.

MAGMA COPPER COMPANY
Dividend No. 46

A dividend of 50 cents per share has been declared on the stock of this company, payable April 16, 1934 to stockholders of record at the close of business March 29, 1934.

The Board of Directors requests that this distribution be regarded simply as a return out of earned surplus and not the establishment of a dividend basis or policy for the future, formulation of which should not, in the opinion of the Board, be attempted at this time.

H. E. DODGE, Secretary

March 9, 1934.

THE DETROIT EDISON COMPANY

Dividend on Capital Stock

A quarterly dividend of One Per Cent. ($1.00 per share) on the Capital Stock of the Company will be paid on April 16, 1934 to stockholders of record at the close of business on March 31, 1934.

ARTHUR D. SPENCER, Treasurer.

The Bell Telephone Co. of Canada

Notice of Dividend

A dividend of one and one-half per cent (1.50%) has been declared payable on the 16th of April, 1934, to shareholders of record at the close of business on the 23rd of March, 1934.

W. H. BLACK, Secretary-Treasurer.

Montreal, February 28, 1934.

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of Recent Date

Name and Dividend	1934 Price Range High	Low	Recent Price
Alum. Co. of Amer	85¾	68½	72
Amer. Cyanamid B (.25)	20⅝	15⅛	18½
Amer. Gas & Elec. (1)	33⅜	18⅝	25¼
Amer. Lt. & Tr. (1.60)	19⅜	10¾	16
Amer. Superpower	4⅞	2¼	3⅜
Assoc. Gas Elec. "A"	2⅜	7/16	1¼
Atlas Corp	15½	10¼	12¾
Canadian Indus. Alco. "A"	20⅜	14⅞	15¾
Cities Service	4¼	1¾	3⅛
Cities Service Pfd	26⅞	11¼	19⅞
Colum. G. & E. cv. Pfd. (5)	103	68	92
Commonwealth Edison (4)	61½	34½	54
Consol. Gas Balt. (3.60)	65	53	57
Cord Corp (.25)	8⅝	5½	6⅞
Creole Petroleum	13	9⅝	11⅛
Distillers Cp. Seag	26⅝	19	19¾
Elec. Bond & Share	23½	10⅞	18⅜
Elec. Bond & Share Pfd. (6)	60	31	51
Elec. Pr. Assoc. (.40)	8¼	4	6
Ford Motor of Can. "A"	24⅞	15	22
Ford Motor, Ltd.	7½	5½	7½
General Aviation	9½	5⅛	7
General Tire	98	64½	86
Glen Alden Coal	20¾	10¾	18⅜
Great A. & P. Tea N.-V. (7)	150	122	137
Gulf Oil of Pa	76¾	58⅛	70
Hudson Bay M. & S.	12⅜	8¾	12⅜
Humble Oil (1)	43½	33¼	41
Imperial Oil (.50)	14½	12⅝	13¾
Inter. Petrol. (1.12)	23⅜	19⅜	21⅞
Lake Shore Mines (2)	47⅞	41½	47½
Niagara Hudson Pwr	9¾	4⅞	6⅝
Novadel-Agene (7)	67⅞	57	64⅞
Pan-American Airways	51	35	39
St. Regis Paper	5⅛	2⅛	3⅝
South Penn Oil (120)	23⅞	17½	21
Standard Oil of Ind. (1)	32¾	28	28½
Swift & Co. (.50)	19	13⅞	16½
Swift Int'l (2)	30¼	23¾	27
United Founders	1½	11/16	1⅛
United Gas Corp	3¾	1⅞	3¼
United Lt. & Pwr. A	5⅜	2⅜	3⅞
United Shoe Mach. (5)	67	57¾	61¼
Walker Hiram H. W.	57½	43	48

Conflicting Forces in the Market

(*Continued from page 541*)

Current business statistics reflect a new high of economic recovery in the advance which started late in November, after last year's third quarter relapse. Steel operations now are at approximately 50 per cent of capacity, supported by insistent demand for steel by the automobile industry and by improved railroad, structural and miscellaneous demand. Motor production is expanding and sales, especially in the popular low-price cars, are making an excellent showing. For the time being, dealer stocks are inadequate to meet the demand.

Construction, supported by P W A expenditures, continues to run 100 per cent above a year ago and is now in its period of usual seasonal expansion. Car loadings for the latest week are around 600,000 cars, or approximately 25 per cent above the level of a year ago. The gain in electric power output, relative to a year ago, has expanded to 13 per cent. These comparisons, however, are exaggerated, for at this time in 1933 business had been virtually stunned by the banking holiday. In retail trade there has been some further improvement, especially in demand from agricultural sections. The bulk of urban retail trade, however, remains at a unit volume under that of a year ago.

Commodity prices, as reflected in the wholesale index of the Bureau of Labor Statistics, have advanced gradually for the last nine weeks and currently are at a new high of recovery at nearly 74 per cent of the 1926 level. The benefits of further advance in many lines of retail trade are subject to doubt, but, on balance, a gradual and continued advance is probably a sustaining business influence, especially in relation to manufacturing industry.

Sun Oil Co.

(*Continued from page 563*)

000—the entire 5% note issue—has been called for payment on March 20. Financial position is satisfactory. At the end of 1933, current assets, including cash of $5,293,986, amounted to $27,353,116. Current liabilities were stated in the balance sheet as $9,218,482, but had the notes due next July been included, the item would have been greater by $2,944,000.

While the outlook for the oil industry in general is not as yet everything that could be desired, it has improved very considerably over the past year. The problem is still essentially one of curbing excessive production and it has been tackled courageously and with great effect by the Oil Administrator. Unfortunately, however, there are still interests that have refused their cooperation. A recent decision by the U. S. Court for the eastern district of Texas held the code and various regulatory orders unconstitutional. Although this decision was certainly a set-back to the progress being made, it need not necessarily be fatal. The matter is still to be decided by the United States Supreme Court. Moreover, the state of Texas itself through rulings of the Railroad Commission and through impending laws evidently intends to see that the damage resulting from the adverse ruling will be kept to a minimum.

In any attempt to bring order out of such chaos as existed in the oil industry, there must necessarily be obstacles. These, however, should be overcome in time, without it is to be hoped price-fixing or other too-drastic measures on the part of the Federal Government. With the industry as a whole on a sane and profitable basis again, there can be no doubt of the showing to be made by those units—and among them the Sun Oil Co.—that have best resisted the time of adversity.

Silver As You Want It

(*Continued from page 547*)

pacifism, but it is quite possible that if the Chinese should stubbornly rebel against the restoration of silver, Japan might find another reason for the use of force. A cheap yen and a costly tael are good business for Japan—and Chinese business she must have.

The silver question, for the United States, is mostly a domestic question. If monetary inflation is a good thing we can get it by doing something for silver. But it will take a lot of silver buying and minting to swell the bag of the currency balloon. We can do a little silver coddling and do a lot for silver speculators and miners and nothing for anybody else.

But the "straight tip" in Washington is that something more is going to be done for silver, even if it is only in the nature of something comparable to what C W A has done for the jobless—a grateful handout in a time when the Government is doing something for everybody from the bankers to the painters of murals.

For Features to Appear in the Next Issue

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As I See It

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who are making burdensome demands on the economy of the country at a time when it is barely recovering from a staggering blow. This is not the time to be delivering ultimatums to the big industries which are the largest consumers of goods,—to the motor industry, for example, which is already paying a scale better than most industries, —nor is it the time to demand the restoration of a 10 per cent cut from the railroads,—nor the time to threaten strikes elsewhere when thousands of unemployed would be thankful for a job. It would be well if labor would get down to realities. Unless that is done Sovietism or Fascism will be put over in this country today by men either hungry for power, or by idealists whose judgment is not tempered by realism. And this, as proven in Russia, in spite of the fact that the masses are unqualified to either govern themselves politically or economically—and the ideas of their leaders are still in an experimental stage.

We do not advise labor to be carried away with the golden promises which are dangled before its eyes. It has little to gain and much to lose. Rather might labor remember the moral pointed in the fable concerning the fisherman and his overambitious wife. Being granted a wish, he chose a cottage to supplant the miserable hut in which they lived. But contentment did not last—ambition grew, and in response to his wife's pleadings, the fisherman sought a castle from the beneficent genie. Still the wife was not content and demanded to control the world about her—even to the weather, the sun and the elements. Whereupon, the genie tired of such vaunting ambition,—and all the luxuries that had been gained vanished—leaving only the original hovel.

Union Pacific

(*Continued from page 560*)

talled nearly $21,000,000 and government securities well over $24,000,000. It is unlikely that the figures were much smaller a year later. The report for 1933 showed that, after government bonds, preference was given to Union Pacific's investments to the bonds, notes and equipment trusts of other railroads.

If traffic and earnings continue to improve as expected, within a reasonable time, the four major railroads in

In The Next Issue

Five Outstanding Low-Priced Rails

By Edwin A. Barnes

Selected from well-situated roads, showing improvement with good prospects.

Preferred Stocks With Prospects of Price Appreciation

A group chosen from among those which have large arrearages but which are now definitely headed for better times. These stocks have the price appreciation prospects of common stocks and security of senior issues.

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date

INDUSTRIAL	Bid	Asked
American Book Co. (4)	51	55
Amer. Manufacturing	13	15¾
Amer. Meter Co	11½	13¼
Babcock & Wilcox (1)	37	42
Bon Ami, B (3)	40½	43¼
Canadian Celanese	17¾	19¾
Carnation Co. (50)	14	15¼
Colt Fire Arms (1¼)	24½	25½
Crowell Publishing Co. (.25)	20½	23
Dixon (Jos.) Crucible	47½	52
Dictaphone Corp. (.25)	18	21
Fajardo Sugar	79	85
National Casket (2)	31	....
Singer Mfg. Co. (6)	159	164
Wilcox & Gibbs	15	....

PUBLIC UTILITIES	Bid	Asked
Alabama Power Pfd. (7)	48	50
Carolina Power & Light Pfd. (2.33)	33	35
Central Maine Power Pfd. (7)	68	70
Columbus Rwy. Pwr. & Lt. Pfd. (6)	72	....
Consumers Power Pfd. (6)	74½	76
Dayton Power & Light Pfd. (6)	88½	91
Jersey Central Pwr. & Lt. Pfd. (7)	66	69
Kansas Gas & Electric Pfd. (7)	75	78
Metropolitan Edison Pfd. (6)	65	69
Nebraska Power Pfd. (7)	93	95
New Jersey Pwr. & Lt. Pfd. (6)	63½	66½
Pacific Gas & Elec. Pfd. (150)	22	23
Pacific Power & Light Pfd. (7)	17	19
Puget Sound Pwr. & Lt. Pfd.	15	17
Tennessee Elec. Power Pfd. (6)	39	42
Texas Power & Light Pfd. (7)	76	78½
Utilities Pwr. & Lgt. Pfd.	12	13½
TELEPHONE & TELEGRAPH		
American Dist. Tel., N. J. (4)	69	73
Mountain States Tel. & Tel. (8)	106¾	109½
Peninsular Telephone (1)	8	10
Southern New England Tel. (6)	105	107½

whose shares Union Pacific has such a large aggregate investment, should begin to pay dividends again. Then its investment income will expand accordingly. In the meantime its own net results from transportation will have gained materially and it will be possible for Union Pacific, at least to get back toward its maximum dividend on the common of $10 a share.

With the foregoing data and results before us it is necessary only to observe that they could not have been obtained except with able and progressive management. In the years since the death of Harriman, the company's policy has been conservative and not spectacular in some respects, as it was in his regime. Resources of every kind have been conserved and the property developed to keep fully abreast of the times.

In recent months the most conspicuous phase of this policy has been the bringing out of a so-called "stream line" passenger train. When it was being built last year it was regarded as the last word in transformed and thoroughly modernized passenger equipment. Since then the construction of a generally similar train has been begun, but it has still more modern and supposedly improved features. The first train cost $200,000. Both of them are regarded, in railroad circles, and by Union Pacific officials as largely experiments. It is not planned to use these trains in transcontinental service. It is evident, however, that the Union Pacific management regards trains of this general type, when fully developed, as practical for that service. It is planned to have two nine-car streamlined trains with four sleepers each, for service between Chicago and the Coast. While these trains have not been actually ordered it has been definitely decided to build them. It is contemplated that when they are perfected they will cut the running time between those two points to such an extent as to offer formidable competition with airplanes.

The Burlington has a stream-line train nearly ready for operation. It is striking that two of the three largest and most conservative railroad systems in the West should have "led the way" in experimenting with this complete transformation in passenger trains equipment. When will Atchison, the most conservative of them all, follow suit? Is this the beginning of a still more comprehensive transformation of passenger train equipment and service on the American railroads? If so, what will it all mean to earnings and to the owners of railroad securities?

As yet, not even Union Pacific and Burlington officials know. They will have a more definite idea after having given considerable time and thought to the operation of these new trains.

For Profit and Income

(Continued from page 566)

Also, it is to be noted that the United States does a big export business in this line and should anything truly important come of the present movement towards reciprocal tariff agreements, business equipments might be important beneficiaries. Abroad, American business machines have as good a reputation as the American automobile, and no one can doubt that we would flood the world with the latter but for tariff barriers.